STATE OF CALIFORNIA GAVIN NEWSOM, Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

**FILED**
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February 14, 2023

**Agenda ID #21359**
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 21-07-001:

This is the proposed decision of Administrative Law Judge Gerald Kelly. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's April 6, 2023 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Acting Chief Administrative Law Judge

MLC:sgu
Attachment

Decision **PROPOSED DECISION OF ALJ KELLY (Mailed 2/14/2023)**

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| Application of Great Oaks Water Company (U162W) for an Order authorizing it to increase rates charges for water service by $2,618,705 or 12.05% in 2022, by $1,762,136 or 7.23% in 2023, and by $1,879,770 or 7.20% in 2024. | Application 21-07-001 |

# DECISION ADOPTING PARTIAL SETTLEMENT AGREEMENT, RESOLVING REMAINDER OF DISPUTED ISSUES AND AUTHORIZING GREAT OAKS WATER COMPANY'S GENERAL RATE INCREASES FOR 2022-2024

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**Attachment A** – Summary of Earnings
**Attachment B** – Supporting Data and Rates Tables
**Attachment C** – Approved Partial Settlement Agreement

# DECISION ADOPTING PARTIAL SETTLEMENT AGREEMENT, RESOLVING REMAINDER OF DISPUTED ISSUES AND AUTHORIZING GREAT OAKS WATER COMPANY'S GENERAL RATE INCREASES FOR 2022-2024

## Summary

This decision adopts a partial settlement agreement, resolves the remainder of disputed issues in Application (A.) 21-07-001 and authorizes general rate increases for 2022/2023-2024/2025 for the Great Oaks Water Company (Great Oaks). Specifically, this decision adopts a 2.38% increase in total revenue requirement for Test Year 2022/2023, effective July 1, 2022, generating annual revenues of $22,255,961. As a result, the average single-family customer bill will increase by $1.75 (or 1.53%) over a two-month billing period (equal to a $10.47 annual increase). In accordance with the Rate Case Plan for this proceeding, this decision also adopts revenue requirement increases for the two subsequent rate years, resulting in a 6.92% increase for the 2023/2024 Escalation Year, and a 6.97% increase for the 2024/2025 Attrition Year.

These approved increases are just and reasonable and reflect: (1) adoption of Great Oaks' Partial Settlement Agreement with the Public Advocates Office at the Commission (set forth in Attachment C) and (2) disposition of remaining contested issues in this proceeding. This decision adopts the rate design recommendations in the Partial Settlement Agreement to implement the approved rate increases. This decision also approves Great Oaks' proposals to implement the creation, amortization, or closures of various balancing and memorandum accounts. Finally, we find that Great Oaks' water quality meets all applicable state and federal drinking water standards and other provisions of General Order 103 and that Great Oaks complies with all Commission Rules, Decisions, and statutes relevant to the relief granted in this proceeding.

A.21-07-001 is closed.

# 1. Background

## 1.1. Great Oaks Water Company

Great Oaks Water Company (Great Oaks or Applicant) is a regulated Class A water utility that supplies and distributes potable water for domestic, commercial, industrial, municipal, and irrigation purposes in portions of the City of San Jose and in contiguous territory in Santa Clara County, California. Its water sources are located within the Santa Clara Valley Water District. Great Oaks' service area includes mostly residential portions of San Jose, south of the city center, and some agricultural and commercial businesses.

## 1.2. Procedural Background

On July 1, 2021, Great Oaks filed general rate case (GRC) Application (A.) 21-07-001 with the California Public Utilities Commission (Commission) requesting rate increases over a three-year period, beginning on July 1, 2022, and other relief, in accordance with the Rate Case Plan (RCP) prescribed in Decision (D.) 07-05-062 and D.04-06-018, and other applicable Commission decisions, resolutions, and standard practices.

On August 6, 2021, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a protest to A.21-07-001. No other party filed a protest or other response to the Application.

On August 15, 2021, Great Oaks served updates and corrections to the Application. On September 3, 2021, Great Oaks filed and served its Rule 3.2(e) Compliance Filing. A prehearing conference (PHC) was held before Administrative Law Judge (ALJ) Gerald F. Kelly on September 15, 2021. A procedural schedule was developed during the PHC. The Assigned

Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued on October 13, 2021.

On November 9, 2021, a public participation hearing (PPH) was held virtually following notice to Great Oaks' customers, during which presentations were made by both Great Oaks and Cal Advocates. One PPH attendee asked a question. The PPH attendees did not express opposition to Great Oaks' Application.

Cal Advocates served its Report on Great Oaks Water Company's Fiscal Test Year 2022-2023 GRC Application (Cal Advocates Report) on November 19, 2021. On December 10, 2021, Great Oaks served Rebuttal Testimony.

Following service of Great Oaks' Rebuttal Testimony, Great Oaks and Cal Advocates engaged in settlement negotiations and, ultimately, mediation with a Commission-assigned neutral mediator. Many elements of Great Oaks' application, accompanying testimony and exhibits, and responses to data requests were not and are not contested by Cal Advocates. As such, those issues are uncontested issues. Similarly, certain testimony and exhibits offered by Cal Advocates were and are agreed to by Great Oaks; thus, those issues are also uncontested issues.

On January 24, 2022, Great Oaks and Cal Advocates (Parties) filed the Joint Statement in Compliance with the ALJ's January 3, 2022 Ruling (Joint Statement). The Joint Statement included Stipulations Regarding Resolved Issues, Stipulations Regarding Issues Requiring Evidentiary Hearing, Stipulations Regarding Witnesses and Testimony, and an Exhibit Index.

By motion filed on March 30, 2022, the Parties requested Commission approval and adoption of a Partial Settlement Agreement (*see* Attachment C).

The Partial Settlement Agreement generally addressed and resolved all issues that the Parties were able to settle. A summary of issues subject to the Partial Settlement Agreement is set forth in the following section of this decision. The Parties request that rates authorized in this proceeding incorporate the provisions of the Partial Settlement Agreement and be effective as of July 1, 2022, the first day of Great Oaks' 2022/2023 Test Year.

ALJ Resolution 176-3489 was issued on July 16, 2021. Great Oaks and Cal Advocates confirmed at the PHC that several issues identified in the Scoping Memo were contested material issues of fact and evidentiary hearings were needed.

Pursuant to the Scoping Memo schedule, on January 7, 2022, Great Oaks filed its "Motion for Authority to Implement Interim Rates by Tier 1 Advice Letter" (Interim Rates Motion).

On January 31, 2022, an evidentiary hearing was conducted on one substantive issue, (*i.e.,* Account 700 Groundwater Charges to be reflected in rates beginning July 1, 2022). Other contested issues were addressed through briefs. At the evidentiary hearing, the ALJ received into evidence all pending written testimony, other exhibits and errata of Great Oaks and Cal Advocates.[1]

On January 24, 2022, Cal Advocates and Great Oaks notified ALJ Kelly that they had reached a partial settlement covering certain issues in the proceeding. Great Oaks and Cal Advocates jointly requested Commission approval and adoption of the Partial Settlement Agreement by motion dated March 30, 2022.

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[1] *See* Reporter's Transcript at 59-63.

Meanwhile, opening briefs, addressing contested issues not covered by the Partial Settlement Agreement, were filed February 23, 2022. Reply briefs on those issues were filed March 7, 2022. With its reply brief, Great Oaks concurrently submitted a Joint Comparison Exhibit summarizing respective differences between the parties as required under the RCP prescribed in D.07-05-062.[2] The proceeding was submitted on June 29, 2022.

## 2. Overview of Parties' Positions and Commission Disposition

### 2.1. Parties' Positions

In A.21-07-001, Great Oaks requests general rate increases to take effect as of July 1, 2022 (for a 2022/2023 test year), with additional increases beginning July 1, 2023 (for a 2023/2024 Escalation Year) and July 1, 2024 (for a 2023/2024 Attrition Year). The magnitude of the increases requested in A.21-07-001 were:

- 12.05% for Test Year 2022/2023,
- 7.23% for Escalation Year 2023/2024, and
- 7.20% for Attrition Year 2024/2025.

After its August 2021 updates and further updates and refinements in Great Oaks' Rebuttal Testimony, Great Oaks' final revised requested increases pending in this proceeding are substantially reduced to:

- 6.11% for Test Year 2022/2023,
- 6.72% for Escalation Year 2023/2024, and
- 6.64% for Attrition Year 2024/2025.

[2] D.07-05-062, Appendix A, at A-12. Comparison exhibit tables show each party's final position on each component of revenue requirement and identify all remaining major disputed issues, and dollar amounts associated therewith.

Great Oaks asserts that the above rate increases are necessary to recover projected expenses and to earn a reasonable rate of return on its invested capital to maintain and improve upon the level of service being provided to its customers.

Great Oaks also requests: 1) authority to create, maintain, amortize, and/or modify certain balancing and memorandum accounts; 2) approval of rate design proposals to implement the increases; 3) findings that it complies with applicable water quality requirements, Commission decisions and General Orders (GOs,) and Water Industry Rules, and 4) issuance of a final decision effective on the first day of the Test Year in compliance with Pub. Util. Code § 455.2.

Cal Advocates undertook to comprehensively review, analyze, and provide recommendations on the ratemaking and policy aspects of Great Oaks' Application. Cal Advocates presented testimony in opposition to Great Oaks' requests on various issues and recommended a 2022/2023 test year revenue requirement of $20,234,079, representing an overall reduction of 6.75%. Cal Advocates also recommended a reduction for the 2023/2024 Escalation Year, of 1.4% and for the 2024/2025 Attrition Year, a reduction of 1.7%.[3] Cal Advocates also opposed a number of Great Oaks' requests to initiate or modify certain balancing accounts and memorandum accounts.

Cal Advocates subsequently narrowed its differences with Great Oaks by entering into the above-noted Partial Settlement Agreement. The Comparison

[3] Cal Advocates states that the absence of testimony of any issue connotes neither its agreement nor disagreement of the underlying request, methodology, or policy position related to that issue.

Exhibit submitted in this proceeding summarizes parties' final differences regarding recommended revenue requirements, incorporating the effects of the Partial Settlement Agreement.

### 2.2. Summary of Commission Findings and Orders

Based on our review of the record and as discussed in this decision, we adopt total revenue requirements for each of the three rate years, with resulting percentage increases over existing levels, as set forth below:

| Rate Year Period | Adopted Revenue Requirements | % Increase |
|---|---|---|
| Test Year 2022/2023 | $22,255,961 | 2.38% |
| Escalation Year 2023/2024 | $23,796,965 | 6.92% |
| Attrition Year 2024/2025 | $25,456,727 | 6.97% |

The adopted revenue requirements incorporate: (1) approval of the Partial Settlement Agreement and (2) disposition of remaining disputes as discussed below. The Summary of Earnings in Attachment A sets forth supporting elements of the adopted revenue requirements.[4] We authorize Great Oaks to implement retail rate increases necessary to recover the adopted revenue requirements in accordance with the adopted rate design methodology consistent with the supporting data set forth in Attachment B and as discussed below.

We find the revenue requirements noted above and resulting rate increases just and reasonable in accordance with Pub. Util. Code § 451, and so we adopt them. We also adopt Great Oaks' requests to implement and/or amortize

[4] The Summary of Earnings reflects the adopted revenue requirement for Great Oaks to fund forecasted expenses and earn a return on rate base of 8.15% (adopted in D. 18-12-002).

designated balancing accounts and memorandum accounts, as specified below. We also find that Great Oaks' water quality meets all applicable state and federal drinking water standards and the provisions of GO 103 based upon the evidence presented in Exhibit D, Report on Results of Operations, Chapter 3.

As referenced in the Scoping Memo of this proceeding, we also have carefully examined whether there will be impacts on the Commission's Environmental and Social Justice (ESJ) Action Plan, including the extent to which increased rate charges may impact the achievement of the nine ESJ goals.

Based upon the rate design measures we adopt, as discussed below, we conclude that there will be no adverse impacts on the achievement of ESJ goals in that regard.

We order Great Oaks to file a Tier 1 Advice Letter as specified in the ordering paragraphs below to implement the adopted rate changes and all other directives of this order.

## 3. Discussion Regarding Partial Settlement Agreement

The Parties engaged in settlement negotiations and have settled the below listed issues, details of which are further set forth in the attached Partial Settlement Agreement (Attachment C to this decision), resolving a variety of disputes over revenue and cost forecasts for each of the three rate years at issue in this proceeding, as well as other issues that do not directly involve revenue or cost forecasts.

The Parties agreed that approval of the Partial Settlement Agreement by the Commission shall not be construed as an admission or concession by either Great Oaks or Cal Advocates on any issue addressed therein as to any fact or matter of law in dispute in this proceeding. The Partial Settlement Agreement is an integrated agreement so that if the Commission rejects any portion of it, Great Oaks and Cal Advocates each reserve the right to withdraw.

The Parties argue that the Partial Settlement Agreement merits Commission approval because it: (1) is reasonable in light of the entire record, consistent with law, and in the public interest in compliance with Article 12 of the Commission's Rules of Practice and Procedure and (2) is sponsored by the Parties that are fairly representative of the affected interests in this proceeding. Based upon these representations, the Parties jointly request a Commission order approving and adopting the Partial Settlement Agreement.

The issues resolved by the Parties in the Partial Settlement Agreement are: Water Sales Forecast, Private Fire Protection Service Customer Forecast, Rate Design, Conservation Budget, and Sales Reconciliation; Operations & Maintenance Expenses; Administrative & General Expenses; Taxes; Plant-in-Service Additions and Rate Base; and Memorandum and Balancing Accounts. A further summary of issues resolved through the Partial Settlement Agreement is presented below.

### 3.1. General Issues Resolved in the Partial Settlement Agreement

The Parties agree upon general issues relating to Great Oaks' compliance with all applicable Commission GOs, Water Industry Rules, and Ordering Paragraphs and that Great Oaks' service quality is in accord with the standard performance measure set by the Commission for complaints filed with the Commission's Consumer Affairs Branch (the standard being less than, or equal to, 0.1% of Great Oaks' total customers).

### 3.2. Sales Forecast and Rate Design Issues

#### 3.2.1. Water Usage and Customer Forecasts

The Parties agree on the average water usage/sales per customer class for purposes of deriving the Test Year 2022/2023 sales forecast. The Parties agree that Great Oaks' requested forecast for unaccounted for water of 7.0% is just and reasonable and should be applied to all water sales and production calculations for the three-year rate case cycle. The Parties agree on the number of Private Fire Protection Service Customers and Agricultural Customers for Test Year 2022/2023, Escalation Year 2023/2024, and Attrition Year 2024/2025.

#### 3.2.2. Service Charge and Uniform Quantity Charge Rate Calculation Method

Based upon Great Oaks' relative proportion of fixed and variable costs, the Parties agree that the current methodology utilized to calculate service charges and the uniform quantity charge is just and reasonable given Great Oaks' lower relative amount of fixed costs. The current methodology provides for the collection of 75% of fixed costs through service charges and all remaining costs (25% of fixed costs and 100% of variable costs) to be recovered through the uniform quantity charge and/or the tiered quantity charges for single-family residential customers. The Parties agree on the use of that rate design methodology as just and reasonable for purposes of this proceeding.

#### 3.2.3. Rate Design for Conservation and Customer Assistance Program

The Parties agree that the current rate design for conservation (tiered) rates, as approved through Great Oaks' Advice Letter 299-W, is just and reasonable and should continue unchanged, effective July 1, 2022.

The Parties agree to continue utilizing the same method for calculating the Customer Assistance Program Surcharge. The calculation shall use the number of

"Participants" in the Customer Assistance Program as reported in the most recent month-end number in Great Oaks' compliance filings in Rulemaking (R.) 17-06-024 that was available when the Partial Settlement Agreement was filed.

#### 3.2.4. Conservation Budget

The Settling Parties agree to a conservation budget for the WaterSmart Program of $134,650 for Test Year 2022/2023 and for Escalation Year 2023/2024 and Attrition Year 2024/2025 using applicable escalation factors. The expenses for the WaterSmart Program shall be recorded in Account 798 Outside Services.

#### 3.2.5. Sales Reconciliation Mechanism

A Sales Reconciliation Mechanism (SRM) allows a utility to adjust its forecasted sales amount if the prior year sees a 2% difference between actual and forecasted sales. The utility would then recalculate rates using 50% of the difference that occurred between actual and forecasted sales. The Parties agree that it is not appropriate to implement a SRM at this time. Great Oaks therefore withdraws its request to establish a SRM for this GRC cycle.

### 3.3. Operations & Maintenance Expenses

The Parties agree to the Test Year 2022/2023 Operations & Maintenance Expenses shown in Section C.1. of the Partial Settlement Agreement and that appropriate escalation factors shall be applied to these amounts for Escalation Year 2023/2024 and Attrition Year 2024/2025.

The Parties agree that Great Oaks shall maintain the employment position of Senior Water System Operator at a base salary of $92,000 per year for Test Year 2022/2023, and that the position of Controller and its associated compensation shall be eliminated effective July 1, 2022. The Parties agree that for all other continuing employment positions, except Customer Service

Representative and Water Quality Specialist/Environmental Services, Great Oaks' salary projections are accepted based upon a relevant salary survey and are just and reasonable.

The Parties agree that the only remaining issues with respect to employees and salaries that comprise Great Oaks' Net Payroll Expense are whether the positions of Customer Service Representative and Water Quality Specialist/Environmental Services shall remain in rates and, if so, in what amounts for Test Year 2022/2023.

### 3.4. Administrative & General Expenses

The Parties agree to the Test Year 2022/2023 Administrative & General Expenses shown in Section D.1. of the Partial Settlement Agreement and that appropriate escalation factors shall be applied to these amounts for Escalation Year 2023/2024 and Attrition Year 2024/2025.

The Parties agree that Great Oaks' customers shall receive a credit of $113,626 in Test Year 2022/2023 from Great Oaks' passive non-tariffed services (leases of plant-in-service assets).

### 3.5. Taxes

The Parties agree that Great Oaks' methods of calculating payroll taxes are correct and shall be utilized for the employees and compensation authorized for all rate years, beginning effective July 1, 2022. The Parties agree that Great Oaks' methods of calculating ad valorem and franchise taxes (in Account 796) are correct and shall be used for all rate years, effective July 1, 2022. The Parties agree Great Oaks shall utilize the last-authorized California Corporate Franchise Tax when calculating Federal Income Taxes for rate-setting purposes for all rate years, effective July 1, 2022. The Parties further agree that Great Oaks' methods of calculating state and federal income taxes in all other respects are correct and result in just and reasonable amounts.

### 3.6. Plant-in-Service Additions and Rate Base

#### 3.6.1. Plant-in-Service Additions – Rahway Water Main Extension Replacement (Account 343).

The Parties agree that the full cost of the Rahway Water Main Extension Replacement shall be included in Great Oaks' rate base. The total capital project cost was $1,050,911.59. The project was approved in D.16-05-041 in the amount of $323,180.00 and included in rate base effective July 1, 2016. An additional $727,731.59 shall be included in rate base effective July 1, 2022.

#### 3.6.2. Plant-in-Service Additions – Well 24A Land (Account 306) and Wells (Account 315)

The Parties agree that the full cost of the real property acquired by Great Oaks for Well 24A shall be included in rate base in the amount of $248,869 effective July 1, 2022. The Parties also agree that the full cost of Well 24A shall be included in rate base in the amount of $651,626 effective July 1, 2022. Both amounts are just and reasonable for these plant-in-service additions

#### 3.6.3. Plant-in-Service Additions – Power Operated Equipment (Account 377)

In D.19-09-010, Great Oaks was authorized to add one portable generator to rate base at a cost of $125,000. Great Oaks was able to purchase three (3) used portable generators at a total cost of $167,425. The Parties agree that all three portable generators are just and reasonable additions to rate base and that the additional amount of $42,426 shall be added to Great Oaks' rate base effective July 1, 2022.

The Parties agree that Great Oaks' replacement of its "Bobcat" track vehicle loader at a cost of $25,389.71 was necessary and appropriate and that adding this amount to rate base effective July 1, 2022, is just and reasonable. The Parties further agree that Great Oaks' replacement of its forklift at a cost of $20,000 was necessary and appropriate and that adding this amount to rate base effective July 1, 2022, is just and reasonable.

#### 3.6.4. Plant-in-Service Additions – Reservoirs and Tanks (Account 342)

The Parties agree upon the amounts for Account 342 for each rate year covered by A.21-07-001. The Parties agree that the agreed-upon amount for Test Year 2022/2023 includes the replacement of the exterior coatings on five water storage tanks and that the replacement is just and reasonable. The Parties agree that the amounts for Escalation Year 2023/2024 and Attrition Year 2024/2025 are for expected and routine additions and replacements in this account and are just and reasonable. The Parties further agree that the total amounts for each year shall be added to Great Oaks' rate base on the first day of each rate year.

#### 3.6.5. Plant-in-Service Additions – Transmission & Distribution Mains (Account 343)

The Parties agree upon the amounts for Account 343 for each year covered by A.21-07-001. The Parties agree that the agreed-upon amounts are for expected and routine additions and replacements in this account and that these amounts are just and reasonable. The Parties further agree that these amounts shall be added to rate base on the first day of each rate year.

#### 3.6.6. Plant-in-Service Additions – Hydrants (Account 348)

The Parties agree upon the amounts for Hydrants- Account 348 for each year covered by A.21-07-001. The Parties agree that these amounts are for expected and routine additions and replacements in this account and that the amounts agreed upon are just and reasonable. The Parties further agree that the total amounts for each year, as agreed to, shall be added to rate base on the first day of each rate year.

#### 3.6.7. Plant-in-Service Additions – Pumping Equipment (Account 324)

The Parties agree that Great Oaks' request for authority to add a booster pump to the Calero Pump Station is necessary and appropriate and that Great Oaks should be authorized to acquire and place the booster pump into service at a cost of $67,600. The Parties further agree that the amount of $67,600 is to be added to rate base effective July 1, 2022. This amount is in addition to the expected and routine additions and replacements in Account 324 so that total rate base additions for Account 324 on the first day of each rate year covered by A.21-07- 001 shall be as set forth the Partial Settlement Agreement. The Parties agree that such amounts are just and reasonable.

#### 3.6.8. Plant-in-Service Additions – Transportation Equipment (Account 373)

The Parties agree upon amounts for Transportation Equipment Account 373 for each year covered by A.21-07-001. The Parties agree that these amounts are for expected and routine additions and replacements that are just and reasonable. The Parties further agree that the total amounts for each year, as agreed to, shall be added to rate base on the first day of each rate year.

#### 3.6.9. Plant-in-Service Additions – Communications Equipment (Account 376)

The Parties agree upon the amounts for Account 376 for each year covered by A.21-07-001. The Parties agree that these amounts are for expected and routine additions and replacements and are just and reasonable. The Parties further agree that the total amounts for each year, as agreed to, shall be added to rate base on the first day of each rate year.

#### 3.6.10. Plant-in-Service Additions – Tools, Shop, & Garage Equipment (Account 378).

The Parties agree upon the amounts forecast for Account 378 for each year covered by A.21-07-001. The Parties agree that these amounts are for expected and routine additions and replacements that are just and reasonable and shall be added to rate base, respectively, on the first day of each rate year.

#### 3.6.11. Plant-in-Service Additions – Office Furniture and Equipment, excluding Computers (Account 372)

The Parties agree upon the amounts for the years covered by A.21-07-001 for Account 372. The agreed-upon amount for Test Year 2022/2023 includes the necessary and useful cost of replacing office furniture ($16,620). The Parties agree that the remaining amounts are for expected and routine additions and replacements that are just and reasonable. The Parties further agree that the respective amounts shall be added to rate base on the first day of each rate year.

#### 3.6.12. Plant-in-Service Additions – Water Treatment Equipment (Account 332)

The Parties agree upon the amounts for Account 332 for each year covered by A.21-07-001. The Parties agree that these amounts are for expected and routine additions and replacements in this account that are just and reasonable. The Parties further agree that the total amounts for each year shall be added to rate base on the first day of each rate year.

### 3.7. Depreciation Factors

The Parties agree that Great Oaks shall use a term of 30 years as the depreciation factor for meters and meter installations, effective July 1, 2022. The

Parties further agree that the depreciation factors utilized by Great Oaks for all plant-in-service categories are just and reasonable.

### 3.8. Memorandum Accounts and Balancing Accounts

The Parties agree on the continuation and disposition of the following memorandum and balancing accounts. Memorandum and balancing accounts not addressed below or that were authorized since the filing of A.21-07-001 are unaffected by the Parties' agreements.

#### 3.8.1. Incremental Cost Balancing Accounts

Great Oaks has three statutory incremental balancing accounts authorized under Pub. Util. Code § 792.5: Pump Tax, Non-Agricultural Service; Pump Tax, Agricultural Service; and Purchased Power. The Parties agree that Great Oaks should be authorized to maintain each of these balancing accounts and to amortize the respective balances through a Tier 2 Advice Letter filing following a final decision in this proceeding. The account balances may be combined with balances in other authorized memorandum and balancing accounts for purposes of amortization, as appropriate.

#### 3.8.2. Customer Assistance Program Surcharge Balancing Account

The Parties agree that the terms and conditions of the Customer Assistance Program Surcharge Balancing Account shall be revised to change the names of the program and the balancing account in compliance with D.20-08-047.

#### 3.8.3. Maintaining Existing Balancing Accounts and Memorandum Accounts

The Parties agree that Great Oaks is authorized to maintain and to continue the following existing accounts and adjustment mechanisms and that doing so is just and reasonable:

- Monterey-Style Water Revenue Adjustment Mechanism.
- Water Cost of Capital Adjustment Mechanism.
- Drinking Water Fees Memorandum Account.
- School Lead Testing Memorandum Account.

#### 3.8.4. Catastrophic Event Memorandum Account (October 2019 PSPS Events)

The Parties agree that the Catastrophic Event Memorandum Account (CEMA) for the October 2019 PSPS (Public Safety Power Shut-Offs) should be amortized and closed following a final decision rendered in this proceeding. The amount to be amortized will be determined using a closing date of July 1, 2022. The amount being amortized in this account may be combined with balances from other memorandum and/or balancing accounts, as appropriate.

#### 3.8.5. Catastrophic Event Memorandum Account (CEMA) (COVID-19 Pandemic Emergency)

The Parties agree that Great Oaks is authorized to maintain the CEMA account for the COVID-19 Emergency and that doing so is just and reasonable.

#### 3.8.6. Paycheck Protection Program Loan Memorandum Account

The Parties agree that Great Oaks is authorized to maintain the Paycheck Protection Program Loan Memorandum Account until a decision is made whether the loan received by Great Oaks is forgiven. When the loan is or is not forgiven, the account shall then be closed with no recovery permitted from ratepayers.

### 3.9. Great Oaks Compliance with Applicable Water Quality Standards

The Parties agree that Great Oaks is in compliance with all applicable water quality regulations and requirements and request a Commission finding that Great Oaks' water quality meets all applicable state and federal drinking water standards and the provisions of GO 103 based upon the evidence presented in Exhibit D, Report on Results of Operations, Chapter 3. In the Settlement Agreement between Great Oaks and Cal Advocates adopted in D.19-09-010, Great Oaks agreed to perform the analysis necessary to determine the appropriate and approved manner of maintaining an approved continuous disinfection process for its entire system. Great Oaks' actions in this regard are included in Exhibit D, Report on Results of Operations, Chapter 3

### 3.10. Adoption of Partial Settlement Agreement

We have long favored settlement of disputes and have specific rules regarding approval as prescribed by Rule 12.1(d) of the Rules of Practice and Procedure. To be approved, a settlement must be: (a) reasonable in light of the whole record, (b) consistent with law, and (c) in the public interest.

Here, as discussed below, we adopt the Partial Settlement Agreement and find that it complies with Rule 12.1(d) and is consistent with our long-standing policy favoring resolution of disputes by settlement. This policy supports many worthwhile goals, including reducing litigation time and expense, conserving Commission resources, and allowing parties to reduce the risk of unacceptable litigation result. Reaching settlement also conserves parties' resources in having to litigate and file possible objections to a proposed decision issued by the Commission. In this instance, by entering into the Partial Settlement Agreement, the Parties as well as Commission staff avoid the expenditure of time and resources otherwise required to litigate disputes. Evidentiary hearings were limited to only one substantive issue with the filing of briefs for other issues not covered by the Partial Settlement Agreement.

In approving the Partial Settlement Agreement, we give material weight to the Parties' evaluation of record evidence within a give-and-take framework, resulting in tradeoffs that constitute an integrated whole. No single settlement provision is evaluated in isolation. Compromises were reached between two adverse, knowledgeable, and experienced parties involving a range of factual and legal disputes. The Partial Settlement Agreement constitutes a negotiated compromise consistent with Cal Advocates' statutory purpose under Pub. Util. Code § 309.5 to represent the best interests of ratepayers.

#### 3.10.1. Reasonable in Light of Whole Record

We find that the Partial Settlement Agreement is reasonable in light of the whole record. The testimony and evidence entered into the record at the January 31, 2022 evidentiary hearing supports the reasonableness of the Partial Settlement Agreement. The Parties submitted detailed testimony and evidence analyzing the issues resolved in the Partial Settlement Agreement. Cal Advocates engaged in written discovery seeking additional information. Great Oaks responded to each discovery request. Cal Advocates' Exhibit CA-1 contains an analysis of each issue, including the issues resolved through the Partial Settlement Agreement.

#### 3.10.2. Consistent with Law

The Parties represent that the Partial Settlement Agreement is fully consistent with applicable laws. The Parties have entered into the Partial Settlement Agreement voluntarily upon the review and advice of their respective legal counsel and staff personnel.

The Parties are unaware of any statutory provision or Commission decision, resolution, or policy that would be contravened or compromised by the proposed partial settlement. We thus conclude that the issues resolved in the Partial Settlement Agreement are consistent with the law within the scope of this proceeding

#### 3.10.3. In the Public Interest

The Parties represent that the Partial Settlement Agreement is in the public interest. After the service of Cal Advocates' testimony, the Parties engaged in significant and extensive negotiations on contested issues.

A settlement that "commands broad support among participants fairly reflective of the affected interests" and "does not contain terms which contravene statutory provisions or prior Commission decisions" meets the "public interest" criterion.[5] We find these conditions are satisfied here. The Settling Parties reached reasonable compromises on the issues that were resolved. The Partial Settlement Agreement at issue here also commands the support of both Great Oaks and Cal Advocates which represents customer interests. The fact that opposing parties, with different interests, negotiated mutually acceptable terms provides assurance that the overall result is in the public interest. It also is consistent with Cal Advocates' statutory purpose under Pub. Util. Code § 309.5 and is in the best interests of ratepayers.

#### 3.10.4. Granting Motion to Approve the Partial Settlement Agreement

As discussed above, we grant the motion for adoption and approval of the Partial Settlement Agreement. We find it reasonable, consistent with law, and in the public interest, consistent with Rule 12.1(d). In addition, the Partial Settlement Agreement provides sufficient information for the Commission to

[5] *See* D.10-06-015, mimeo, at 11-12, citing D.92-12-019, mimeo, at 7.

discharge its future regulatory obligations with respect to the parties and their interests and obligations. The Commission's approval and adoption of the Partial Settlement Agreement will not be construed as an admission or concession by either Great Oaks or Cal Advocates regarding any fact or matter in dispute in this proceeding, nor as a statement of precedent or policy of any kind for any purpose against either Great Oaks or Cal Advocates in any current or future proceeding.

Our adoption of the Partial Settlement Agreement is binding both on Great Oaks and Cal Advocates as to the specific terms therein. However, because this decision approves a settlement, it does not bind the Commission or otherwise establish a precedent in this or any future proceeding.

We apply the agreed-upon forecasts in the Partial Settlement Agreement in determining the adopted revenue requirements. We likewise approve the provisions in the Partial Settlement Agreement to initiate, amortize and/or close the respective balancing accounts and/or memorandum accounts identified therein. We also adopt the agreed-upon rate design proposals for implementing rate changes.

As requested, we also find that Great Oaks' water quality meets all applicable state and federal drinking water standards and the provisions of GO 103 based upon the evidence presented in Exhibit D, Report on Results of Operations, Chapter 3.

To determine the total revenue requirements, and to resolve other matters relevant to this proceeding, however, we next address remaining disputed issues that were not part of the Partial Settlement Agreement.

## 4. Contested Issues

In addition to the issues resolved by the Partial Settlement Agreement, there are numerous issues in the scope of this proceeding which remain contested or otherwise not resolved by the Partial Settlement Agreement.

The general framework for our review of those contested issues comes under provisions of the RCP for Class A water utilities prescribed in D.04-06-018 and D.07-05-062. Pursuant to the RCP, Great Oaks is authorized to request general rate changes covering the three-year period, namely, 2022/2023 (Test Year), 2023/2024 (Escalation Year) and 2024/2025 (Attrition Year).

Great Oaks carries the burden of proof to show that its requests for rate changes and other regulatory relief are just and reasonable, and to affirmatively establish the reasonableness of all aspects of its application in accordance with RCP requirements. Cal Advocates does not have the burden of proving the unreasonableness of the applicant's showing.

We examine and resolve the outstanding contested issues below.

### 4.1. Contested Issues Sales Revenue and Expense Issues

#### 4.1.1. Customer Forecasts

##### 4.1.1.1. Parties' Positions

As previously noted, the Parties stipulated to the average annual water usage per customer class pursuant to the Partial Settlement Agreement. The only remaining dispute to resolve to complete the water sales revenue forecast involves the forecast of customers in each customer class for Test Year 2022/2023.

Great Oaks and Cal Advocates differ in their respective customer forecasts, as summarized below:

| Customer Class | Great Oaks Customer Forecast | Cal Advocates Customer Forecast |
|---|---|---|
| Single-Family Residential | 20,055 | 20,135 |
| Multi-Family Residential | 648 | 641 |
| Business | 317 | 329 |
| Industrial | 57 | 54 |
| Public Authority | 147 | 148 |
| Schools | 44 | 44 |
| Private Landscape | 242 | 239 |
| Agriculture | 8 | 8 |
| Total Customers | 21,518 | 21,598 |

Great Oaks' customer count projections are based upon recent growth trends, and data showing little ongoing or planned housing development or other construction in Great Oaks' service area. Based on its customer forecast for each customer class, Great Oaks requests that its water sales and production projections for Test Year 2022/2023 be found just and reasonable and adopted.

Great Oaks presented an analysis of customers and growth rates per customer class for rate years 2011/2012 through 2019/2020.[6] At the time that its testimony was provided, customer counts for Rate Year 2020/2021 were not available. Great Oaks projected customer counts for Rate Year 2020/2021 using its forecasting methodology. In Rebuttal Testimony, Great Oaks used customer count data from Rate Year 2020/2021 to further refine its customer forecast. Great Oaks argues that this data confirmed the accuracy of its forecasting methodology which complies with Minimum Data Requirements of D.07-05-062.

[6] Exhibit GOWC-1, Chapter 4 Water Sales Forecast

Using a five-year average, Cal Advocates forecasts a higher number of new customers than Great Oaks. Great Oaks' total forecast is 117 customers lower than the forecast using a five-year average. A lower customer forecast would result in higher per-customers rates. Cal Advocates claims that Great Oaks' forecast of customers is not consistent with the RCP in D.07-05-062.[7] Cal Advocates argues that a five-year average is more consistent with the historic trend of customer counts and recommends that the average be added to the most recent recorded data (2020/2021) to project 2021/2022 amounts and then sequentially add the average up until attrition year 2024/2025. Cal Advocates argues its forecast is compliant with D.07-05-062 and aligns better with the historic linear trend of customer growth.

Cal Advocates acknowledges that D.07-05-062 allows for deviation from the five-year average methodology for customer forecasting but argues that Great Oaks was unable to provide estimated completion dates of the development projects in its service area that would increase the number of customers. Without full knowledge of such developments, Cal Advocates argues that it is better to forecast customer growth for each customer class based on the five-year average.

#### 4.1.1.2. Discussion

As a basis for adopting a water sales forecast, we approve the customer forecast of Great Oaks, as discussed below. For the reasons discussed below, we are persuaded by Great Oaks' customer forecast and find it to be more accurate

[7] D.07-05-062, Appendix A, Footnote 4. The five-year average customer forecast method uses the average of the actual change in the number of customers from the most recent five-year period as the forecasted customer growth.

than that of Cal Advocates. We therefore adopt Great Oaks' 2022/2023 water sales forecast based on its forecast counts for each customer class, water sales for each customer class, and total water production (including "unaccounted for water") as shown below:

| Customer Class | Customer Counts | Annual Water Usage (ccfs) | Totals |
|---|---|---|---|
| Single Fam. Res. | 20,055 | 103.17 | 2,069,074 |
| Multi-Fam Res. | 648 | 1,358.22 | 880,127 |
| Business | 317 | 1,101.23 | 349,090 |
| Industrial | 57 | 1,261.26 | 71,892 |
| Pub. Auth. | 147 | 1,230.18 | 180,836 |
| Schools | 44 | 2,915.07 | 128,263 |
| Priv. Landscp | 242 | 984.63 | 238,280 |
| Agriculture | 8 | 181.02 | 1,448 |
| **Totals** | **21,518** | **9,134.78** | **3,919,010** |
| Unaccounted for Water | | | 294,979 |
| Unaccounted for Water Percentage | | | 7.00% |
| **Total Water Production (CCF)** | | | **4,213,989** |
| **Total Water Production (Acre-Feet** | | | **9,674** |

In support of its forecast, Great Oaks provided analysis of customer numbers and growth rate per customer class for the rate years 2011/2012 through 2019/2020.[8] The data shows slower growth over recent years, compared to the full nine-year period and the most recent five-year period. Great Oaks presented the Minimum Data Requirements called for in the RCP in Appendix A to D.07-05-062. The required data includes the number of customers and percentage customer increase for the last authorized test years, the last five years of recorded data, and for the proposed test year.[9] D.20-08-047, issued September 3, 2021, added "changes in customer counts" to the data that must be presented and considered when forecasting customer numbers for GRC applications.

The data analyzed by Great Oaks included the number of customers and percentage increases for the last authorized test year, the last five years of recorded data, and the proposed test year. Great Oaks' forecast also took into consideration the required factors identified in D.20-08-047, which required "changes in customer counts" to be incorporated into water utility customer and sales forecasts.[10] Great Oaks considered the effects of slowing customer growth in its service area. Great Oaks also considered the City of San Jose Climate Smart long-term plan, which includes "densifying." These densification goals, so far at least, have not been realized in Great Oaks' service area.[11]

Cal Advocates' customer forecast however failed to reflect the requirements of D.20-08-047 to consider new factors in forecasting customers. As specified in D.20-08-047, "trends in consumption, demographics, climate,

[8] Exhibit GOWC-1, Chapter 4 Water Sales Forecast, at 15-16

[9] D.07-05-062, Appendix A, at A-22.

[10] D.20-08-047, at 50 and Ordering Paragraph 1(c), at 106.

[11] Great Oaks' Reply Brief at 3.

population density, and historic trends by ratemaking area" are to be considered when forecasting customer numbers for GRC applications.[12]

We also note that Cal Advocates' customer forecast for Test Year 2022/2023 is based only upon historic customer data without accounting for slowing customer growth trends. Cal Advocates' forecast did not adequately consider the lack of significant single-family residential housing developments planned in Great Oaks' service area. For these reasons, we decline to adopt Cal Advocates' customer count forecast.

#### 4.1.2. Operations & Maintenance Expenses – Account 700 Groundwater Charges

##### 4.1.2.1. Parties' Positions

Great Oaks' single-largest category of expenses is in Account 700 Groundwater Charges. Great Oaks' Account 700 Groundwater Charges forecast for Test Year 2022/2023 is $11,425,036. Groundwater charges are levied by the Santa Clara Valley Water District (SCVWD or Valley Water) against the groundwater produced by Great Oaks from its own wells on its own properties. Of the total projected increase in Test Year 2022/2023, $1,210,962 (or 65.9% of the total increase) is directly due to increased groundwater charges levied by Valley Water.

Great Oaks has groundwater wells in two Valley Water groundwater charge zones – Zone W-2 and Zone W-7. Great Oaks' Account 700 Groundwater Charges forecast is based upon (1) groundwater charges levied by Valley Water in Zones W-2 and W-7; and (2) the relative percentages of total water production in Zones W-2 and W-7 (Zone W-2/Zone W-7 production ratio).

[12] D.20-08-047, Ordering Paragraph 1(e).

Most of Great Oaks' water production capacity is in Zone W-2 where it has 15 groundwater wells. Great Oaks has only five groundwater wells in Zone W-7. Groundwater produced from Zone W-2 costs nearly three times as much as from Zone W-7. The groundwater charge in Zone W-2 is significantly higher than in Zone W-7: for the current Rate Year 2021/2022, the groundwater charge in Zone W-2 is $1,499.00 per Acre-Foot (AF) and in Zone W-7, it is $528.50 per AF.

For its Account 700 Groundwater Charges, Great Oaks forecasts 56% from Zone W-2 wells and 44% of its total water production from Zone W-7 wells over the three-year period covered by this GRC application. This Zone W-2/Zone W-7 groundwater production ratio also was previously adopted for the current rate structure established in D.19-09-010.

Cal Advocates disagrees with Great Oaks' forecasted Account 700 forecast and proposes a forecast of $10,390,578. Cal Advocates' dispute regarding Account 700 Groundwater Charges involves the amount of water Great Oaks can feasibly produce from the less-costly Zone W-7 groundwater wells. As noted above, water drawn from Zone W-2 is about three times more expensive than from zone W-7.

Cal Advocates argues that a five-year average of recorded production will result in the best estimate of Account 700 Groundwater Charges. The five-year average indicates historical reliance on less expensive water sources compared to Great Oaks' forecast, reducing the Zone W-2/Zone W-7 well zone ratio from 56% and 44%, respectively, to 48% and 52%.[13] The Cal Advocates' forecast would reduce per-customer charges by an average of $48.28 per year.

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[13] In testimony on Account 700 Groundwater Charges, the Cal Advocates witness recommended a zone production ratio of 46% Zone W-2/54% Zone W-7. *See* Exhibit CA-1, at p.

*Footnote continued on next page.*

Cal Advocates argues that Great Oaks' forecasted well zone ratio deviates significantly from actual five-year average figures and reflects too much water drawn from the Zone W-2 and not enough from Zone W-7. Cal Advocates argues that Great Oaks' proposed well-zone percentages skews the expense towards more expensive water sources.

Cal Advocates argues that Great Oaks' witness, Roeder, conceded that groundwater availability is not the limiting factor for W-7 production. Instead, the Supervisory Control and Data Acquisition (SCADA) system halts production (pumping) when the water storage tanks are full or pressurized, not when the wells reach production capacity. Cal Advocates questions whether W-7 production could be extended by anticipating when storage will be full and then limiting W-2 production or by transferring water to a different tank so W-7 production could continue. Cal Advocates claims that Great Oaks has not considered reasonable system changes to produce more water from W-7.

In its response, Great Oaks explains that it cannot produce additional water from its Zone W-7 wells and that the amount of water produced from the individual Zone W-7 wells is constantly declining due to Zone W-7 geologic conditions. Great Oaks claims its forecasted well production ratio reflects current groundwater and production issues and that it produces as much water from Zone W-7 wells as is feasible.

#### 4.1.2.2. Discussion

We adopt Great Oaks' test year forecast of Account 700 Groundwater Charges of $11,425,036. Its forecasted Zone W-2/Zone W-7 production ratio at

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5-3. In its Opening Brief, Cal Advocates recommended a zone production ratio of 48% Zone W-2 / 52% Zone W-7. (*See* Cal Advocates Opening Brief, at 4.)

56% Zone W-2 and 44% Zone W-7 reflects a continuation of what was adopted in Great Oak's last GRC (in D. 19-09-010). In Rate Year 2019/2020, the actual Zone W-2/Zone W-7 production ratio nearly equaled the 56% Zone W-2/44% Zone W-7 production ratio adopted in D.19-09-010. Total water production coming from its Zone W-2 wells was then 55.3% with 44.7% of total water production coming from its Zone W-7 wells.[14]

Great Oaks presented evidence that current Zone W-7 wells cannot produce and sustain greater water production due to the geologic soil conditions in Zone W-7 that causes individual well production to consistently decline, often at increasing rates of decline.[15] Water production from individual Zone W-7 wells has been declining for years due to geologic conditions.[16]

In response to declining production in Zone W-7 and the impending shutdown of the Anderson Reservoir (and the corresponding reduction of groundwater recharge from Anderson Reservoir), Great Oaks commenced the development of Well 24A in 2020. Well 24A was completed in late 2020 and placed into service in early 2021. The actual zone percentage ratio changed from 55 percent from Zone W-2 and 45 percent from Zone W-7 in FY 19/20 to 51 percent Zone W-2 and 49 percent from Zone W-7 in FY 20/21, indicating that the addition of Well 24A increased the proportion of water that could be drawn from Zone W-7.[17]

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[14] Exhibit GOWC-5, at 25.

[15] Exhibit GOWC-5, at 27; Rebuttal Table 15, Zone W-7 Well Production; *see also*, Transcript, at 40, line 28 through at 41, line 10; *see also* Transcript, at 41, line 22 through at 42, line 2.

[16] Exhibit GOWC-1, Chapter 7, at 5.

[17] Exhibit CA-1, at 5-3.

Great Oaks' Zone W-7 wells already run 24 hours every day (absent brief times for maintenance or in the very lowest demand periods in winter). Great Oaks appears to be pumping as much water as Zone W-7 wells can produce. The SCADA system does not shut down W-7 wells when the storage tanks are full. The pumping from the more expensive Zone W-2 wells is reduced when customer demand and storage tank capacities dictate.

Cal Advocates' forecast, based on an average of historic water production levels, does not fully consider the overall declining trend in production from individual Zone W-7 wells as it relates to the declining geological soil conditions, which therefore makes its Account 700 forecast less reliable. While the introduction of Well 24-A may have allowed for more water to be drawn from Zone W-7 temporarily, all wells in Zone W-7 have declined in production rates since they were drilled due to the geological formation of the Coyote Valley.[18]

Based on these facts, we find Great Oaks' forecast of Account 700 Groundwater Charges expense for Test Year 2022/2023 reasonable with its proposed Zone W-2/Zone W-7 production ratio applied to total water production.

### 4.1.3. Operations & Maintenance Expenses – Account 726 Purchased Power

#### 4.1.3.1. Parties' Positions

Great Oaks forecasts Account 726 Purchased Power Expenses of $1,088,082. Cal Advocates proposed Account 726 Purchased Power forecast is $909,558. Great Oaks' forecast is based upon water supply constraints due to reduced groundwater recharge by Valley Water because: (1) Anderson

[18] Transcript at 37-38.

Reservoir, the primary source of water for groundwater recharge in the area where Great Oaks' wells are located, has been drained and is out of service for the next 10 years while a new dam is constructed; and (2) drought conditions continue. Great Oaks argues that lower groundwater levels mean that more power is required to pump groundwater, resulting in higher purchased power costs.[19]

Great Oaks forecasts increased power to pump each acre-foot (AF) of water to 500 kilowatt-hours (kWh). This is nearly 20% less energy efficient than its recent five-year average efficiency of 417kWh.[20] Great Oaks uses the same Test Year 2022/2023 water production total of 9,674 AF requested in the Water Sales Forecast based upon water supply conditions due to reduced groundwater recharge by Valley Water.

Cal Advocates disagrees with Great Oaks and instead forecasts 417 Kwh/AF. Cal Advocates argues that Great Oaks has not conclusively established that groundwater levels will drop, nor offered modeling or technical basis about the expected level of groundwater decline, when the decline will occur, and how power usage would increase over time. Cal Advocates recommends the use of the five-year average. Cal Advocates argues that while lower groundwater levels generally result in higher kWh/AF costs, the timing and actual cost impacts are unknown.

A comparison of data assumptions for the Account 726 Purchased Power Expense test year forecast between Great Oaks and Cal Advocates is as follows:

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[19] Exhibit GOWC-5, at 28 – 29.

[20] Exhibit CA-1 5-4, 5-5.

| **Item** | **Great Oaks** | **Cal Advocates** |
|---|---|---|
| Total kWh | 4,836,994 | 4,043,378 |
| kWh/AF | 500 | 417 |
| kWh/CCF | 1.15 | 0.96 |
| Wells kWh/CCF | 1.05 | 0.88 |
| Booster kWh/CCF | 0.10 | 0.08 |
| Purchased Power $/kWh | $0.22495 | $0.22495 |
| **Total Expense** | **$1,088,082** | **$909,558** |

#### 4.1.3.2. Discussion

We adopt Cal Advocates' test year forecast of Account 726 Purchased Power Expenses of $909,558. We acknowledge that groundwater levels are impacted by drought conditions. However, Great Oaks' forecast is an approximation and the timing and actual costs that may arise from reduced groundwater levels is unknown. We agree with Cal Advocates that Great Oaks has failed to meet its burden as to why the Commission should adopt 500 kWh/AF.

Cal Advocates' forecast for Account 726 Purchased Power Expenses is based on the five-year average of recorded costs. Although it does not account for the possible effect of anticipated lower groundwater levels on purchased power costs, Cal Advocates correctly notes that Great Oaks has failed to establish if/when power needs will increase and that Great Oaks' figure is simply an estimate. In this instance, using a five-year average of recorded costs is more reliable than using a speculative estimate. Therefore, we adopt Cal Advocates' forecast for Account 726 Purchased Power Expenses.

### 4.1.4. Operations & Maintenance Expenses – Account 773 Customer Records and Collections

#### 4.1.4.1. Parties' Positions

Great Oaks' Account 773 test year forecast is $240,628. This forecast includes the cost of labor and materials and expenses for work on customer applications, contracts, orders, credit investigations, billing and accounting, collections, and complaints. Great Oaks' Account 773 forecast includes fees paid for credit card and other electronic payments made under the Credit Card Pilot Program authorized by Pub. Util. Code § 755.5 and approved as part of the settlement of Great Oaks' 2018 GRC in D.19-09-010. The projected costs of establishing the Credit Card Pilot Program were $51,976 for Test Year 2019.

Cal Advocates' test year forecast of Account 773 Customer Records and Collections Expenses is $185,670. The forecast difference relates to the treatment of the Credit Card Pilot Program. Great Oaks included the Credit Card Pilot Program Costs in Account 773 projections, but Cal Advocates has not.

Cal Advocates favors exclusion of the Credit Card Pilot Program costs from Account 773 arguing that the costs can be recovered through the memorandum account process. Cal Advocates also argues that there is not a clear increasing or decreasing cost trend for Account 773, so normalizing recorded data is a reasonable forecasting approach. Cal Advocates proposes use of a five-year average of $185,870 as the basis for the Account 773 forecast.

Great Oaks responds, however, that actual expenses in Account 773 have increased every year since Rate Year 2017/2018, from $146,366 in Rate Year 2017/2018 to $233,580 in Rate Year 2020/2021.

Great Oaks also requests authority to update the terms of the Credit Card Pilot Program Memorandum Account as set forth in Exhibit GOWC-1 Exhibit 5-5. The updated terms and conditions incorporate the Credit Card Pilot Program expense for each rate year into the formula to track and ultimately recover the difference between Pilot Program expenses in rates and actual costs incurred in each rate year for the Pilot Program. Great Oaks argues that it is appropriate to include a provision in the Credit Card Pilot Program Memorandum Account indicating that any recovery or refund when amortizing the balance in the Memorandum Account should not apply to customers participating in Great Oaks' Customer Assistance Program (CAP).

In its 2018 GRC, Great Oaks had initially requested a Credit Card Pilot Program Balancing Account, but a Credit Card Pilot Program Memorandum Account was instead established pursuant to settlement with Cal Advocates. An annual credit was to be applied to the Memorandum Account in the amount of $51,976. Great Oaks complied with this agreement and now requests the Credit Card Pilot Program Memorandum Account to be updated with Test Year 2022/2023 projected costs of the Pilot Program, replacing the outdated costs of Rate Year 2019/2020. Projected costs of the Pilot Program for Test Year 2022/2023 are $76,338.04.

Originally these costs were to be recorded in Account 798 Outside Services. Great Oaks argues, however, that Account 773 is the correct account to record costs associated with credit card and electronic payment processing. Because it has recorded costs of the Pilot Program in Account 773 from its inception, Great Oaks does not include any costs of the Pilot Program in Account 798, so that there is no double-counting.

#### 4.1.4.2. Discussion

We find Great Oaks' Test Year 2022/2023 Account 773 expense forecast of $240,628 reasonable by recognizing the effects of Credit Card Pilot Program costs. By contrast, Cal Advocates' forecast averaged five years of Account 773 expenses without recognizing that the last two rate years included the Credit Card Pilot Program. The Credit Card Pilot Program costs represented a significant change from the level of costs reflected in the prior three years of data used by Cal Advocates for its forecast.[21] Actual expenses in Account 773 have increased every year since Rate Year 2017/2018, from $146,366 in Rate Year 2017/208 to $233,580 in Rate Year 2020/2021.[22] We therefore find Great Oaks' Account 773 forecast reasonable with recognition of the Credit Card Pilot Program costs.

We also grant Great Oaks' request for authority to update the terms of the Credit Card Pilot Program Memorandum Account. We authorize Great Oaks to modify the language in the Credit Card Pilot Program Memorandum Account as set forth in GOWC-1 Exhibit 5-5. The updated terms and conditions incorporate the Credit Card Pilot Program expense for each rate year into the formula to track and ultimately recover the difference between Credit Card Pilot Program expenses in rates and the actual costs incurred in each rate year.

As Great Oaks explains, this account was originally to be a balancing account and, by its terms and conditions, and despite its title, the Credit Card Pilot Program Memorandum Account operates as a balancing account. Accordingly, the disposition of amounts recorded in the Credit Card Pilot

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[21] Exhibit CA-1, at 5-5.

[22] Exhibit GOWC-6, WP4, Cells D35, E35, F35, and I35.

Program Memorandum Account is to be by a Tier 2 Advice Letter (*i.e.*, expense offset), whereas Commission GO 96-B requires memorandum account offsets to be by a Tier 3 Advice Letter. Implementing the approved modification will ensure that only the actual costs of the Credit Card Pilot Program are funded by customers through rates.

### 4.1.5. Administrative & General Expenses – Account 798 Net Payroll Expense

#### 4.1.5.1. Parties' Positions

Great Oaks' forecast for Net Payroll Expense for Test Year 2022/2023 includes two authorized, but unfilled positions: (1) Customer Service Representative; and (2) Field Services – Water Quality Specialist/Environmental Services.

Great Oaks argues that the new Customer Service Representative will be needed as soon as pandemic-related conditions permit the reopening of its walk-in customer service center. Great Oaks had planned to hire a new Customer Service Representative at the end of 2019 but postponed it due to the COVID-19 closure of Great Oaks' walk-in customer service center in early 2020.

Cal Advocates opposes ratepayer funding of these positions. Cal Advocates recognizes that the pandemic necessitated closing Great Oaks' customer service area but argues that re-opening of the customer service area does not provide justification for increased customer service staffing beyond levels needed prior to the pandemic. Cal Advocates argues that ratepayers have already paid for these positions in prior rate case cycles without deriving any benefit and should not continue funding the positions. Cal Advocates argues that Great Oaks already has one Water Quality Specialist on payroll, and Cal Advocates argues that employee can perform the Water Quality Specialist tasks required. Utilizing the last recorded year as the basis, Cal Advocates excludes these positions from its forecast, since the positions were not then filled.

While implementing system-wide disinfection may create more work for this position in the future, Cal Advocates argues, the timeline for this project and the extent to which Great Oaks' system will require more Water Quality Specialist tasks are both uncertain. Cal Advocates further argues that the Commission has already funded this position, so the monies already received can be used to fund this role initially when Great Oaks fills it.

The Field Services – Water Quality Specialist/Environmental Services position was established and authorized by agreement between Great Oaks and Cal Advocates in Great Oaks' 2018 GRC. In that case, Cal Advocates recommended that Great Oaks work with the State Water Resources Control Board to establish a system-wide disinfection process to be in effect by July 1, 2022. Great Oaks states that new employee position was authorized to address the additional work such a process requires.

Great Oaks argues that the Field Services – Water Quality Specialist/Environmental Services position was part of the agreement and is a necessary component of the process which requires significant additional sampling, testing, chemical handling, and maintenance of the disinfection system. Great Oaks argues that to remove the employee required to perform new duties arising from Cal Advocates' recommended project would be a breach and violation of the settlement agreement and materially hinder Great Oaks' maintenance of the new treated-water system. Great Oaks argues that the employee is needed, especially to address the additional work required for system-wide disinfection.

Great Oaks expects to have this employee in place for the 2021/2022 rate year to begin the implementation of the new water quality/water safety program. This position and its costs are scheduled for the 2021/2022 period. Great Oaks denies Cal Advocates' claim that ratepayers have already paid for this position in one or more rate case cycles. Great Oaks argues that Cal Advocates' recommendation to eliminate this position violates the 2018 GRC settlement agreement. In that case, Cal Advocates recommended the system-wide disinfection process. Great Oaks agreed to implement the process by July 1, 2022. Great Oaks claims it has fully complied with the agreement.

Cal Advocates responds that the 2018 GRC Settlement Agreement included the amounts that Great Oaks could spend on that project during the three-year period covered by Great Oaks' 2018 GRC, during which time Great Oaks agreed to work with the State Water Resources Control Board's Division of Drinking Water to establish a system-wide disinfection process (including all projected costs related thereto) that will be in effect by July 1, 2022.

While noting that Great Oaks could request additional funding in its current GRC application, Cal Advocates argues that the 2018 GRC Settlement Agreement was not intended as a permanent authorization of a new position for a water quality specialist but was limited to the three years at issue in the 2018 GRC.

Cal Advocates argues there is no evidence to support Great Oaks' proposal for an additional job duty for the currently-vacant Water Quality Specialist—to perform the analyses required by the US EPA Lead and Copper Rule Revisions. Cal Advocates claims that since the initial lead service line inventory will be a one-time compliance project, not a reoccurring task, Great Oaks' argument only supports a consultancy, not a full-time position.

#### 4.1.5.2. Discussion

We decline to adopt Great Oaks' test year forecast for Account 798 Net Payroll Expense. We conclude that Great Oaks has not adequately justified funding the Customer Service Representative and that Great Oaks has failed to establish the need for the Field Services - Water Quality Specialist/Environmental Services position during Test Year 2022/23.

We agree with Cal Advocates that Great Oaks has failed to provide any empirical assessment of the need for an additional Water Quality Specialist. Great Oaks argues that the position was established and authorized by the terms of the settlement adopted in Great Oaks' 2018 rate case. That settlement states that

> [t]he Public Advocates Office recommends that continuous disinfection of Great Oaks' water system will improve the safety and quality of Great Oaks' water supply and has recommended that Great Oaks perform the analysis necessary to determine the appropriate and approved manner of maintaining an approved continuous disinfection process for its entire system. The agreements referenced above include amounts that Great Oaks may spend on this process during the three-year period covered by Great Oaks' application.

Thus, the stated need for the originally authorized Water Quality Specialist was *to develop* the disinfection program, which, per the terms of the settlement was to be in place by July 1, 2022.[23] However, without having filled the authorized position for that function, "Great Oaks has complied with the

[23] D.19-09-010, Attachment 1 at 47-48.

agreement to work with the State Water Board and expects to have the system-wide disinfection process in place by July 1, 2022, the first day of Test Year 2022/2023."[24] Great Oaks states generally that the position "is a necessary component of the [disinfection system] process, which requires significant additional field work for sampling, testing, chemical handling, maintenance of the disinfection system, and more." However, Great Oaks provided no evidence to support the notion that their existing Water Quality Specialist cannot complete the tasks contemplated by the program; this is particularly salient when the additional Water Quality Specialist was not utilized to accomplish the task for which it was originally authorized. We further agree with Cal Advocates that Great Oaks has not met its burden of establishing the need for a full position to address Lead and Copper Rule Revisions.

We also agree with Cal Advocates that the Commission previously authorized the Customer Service Representative, but Great Oaks did not fill this position. We acknowledge that the COVID pandemic resulted in the closure of Great Oaks' in person customer service facilities. However, Greats Oaks has failed to establish that the volume of customer service needs has changed since the COVID pandemic began. Presumably, the COVID pandemic would have potentially resulted in an increased number of customers contacting Great Oaks regarding their inability to pay their bills or other COVID pandemic related issues. Great Oaks has failed to show that the current customer service positions were unable to handle customer inquiries during the COVID pandemic lockdown and has failed to establish when the customer service centers will be

[24] Great Oaks Opening Brief at 31.

fully reopened. We agree with Cal Advocates that the position was previously funded, and any monies received can be used to fund the role initially when or if Great Oaks fills it.

#### 4.1.6. A&G Expense- Account 793- Insurance Expense

##### 4.1.6.1. Parties' Positions

Great Oaks' forecast for Account 793 Insurance Expense is $124,651 for Test Year 2022/2023. Great Oaks bases its forecast on information provided by its insurance agent or broker quote. Great Oaks argues that it reviewed and confirmed the information from its insurance agents and brokers upon which it based its projected insurance costs.

Cal Advocates recommends a Test Year forecast of Account 793 Insurance Expense of $108,446. Cal Advocates bases its forecast upon average cost increases in the last five years and applies that increase to recorded Account 793 expenses. Cal Advocates argues that Great Oaks has not proven that its insurance broker's estimate is more reliable than Cal Advocates' five-year average increase of actual costs.

Great Oaks argues that failing to consider the input from an insurance professional and applying a five-year average increase for insurance costs as Cal Advocates has done is not a just and reasonable methodology.

Great Oaks argues that its estimates based on insurance professionals' input is not the same as "applying a blanket 10% escalation factor" as Cal Advocates' witness represented. Great Oaks claims Cal Advocates failed to accurately represent the basis for Great Oaks' projection. Great Oaks claims that its methodology for projecting Account 793 expenses for Test Year 2022/2023 is just, and reasonable.

#### 4.1.6.2. Discussion

We find Great Oaks' forecast of Account 793 Insurance Expense reasonable and adopt it. We find Great Oaks justified that its forecast methodology for Account 793 forecast is based on price quote data for insurance costs from its insurance agent/broker and based on the broker's access to insurance carrier future pricing estimates.[25] Great Oaks reviewed that information and had those price quotes confirmed.[26] We find this Great Oaks Account 793 forecast more reliable than that of Cal Advocates which relied on a five-year average of historic data without regard to industry-specific analysis of prospective conditions.

### 4.1.7. Administrative & General Expenses – Account 794 Injuries and Damages

#### 4.1.7.1. Parties' Positions

Great Oaks requests $61,240 in Test Year 2022/2023 for Account 794 Injuries and Damages. Cal Advocates recommends $47,049 in Test Year 2022/23.

Cal Advocates notes that Great Oaks' forecast for Account 794 expenses was the result of applying a 3.9% escalation factor applied to estimated 2020/2021 costs.[27] Cal Advocates argues that this methodology is inappropriate, given the lack of a clear increasing trend in historical costs, and that, due again to the lack of a consistent trend in costs, a five-year average of historical costs is appropriate.[28]

Great Oaks states in its Opening Brief that Cal Advocates assumes and opposes Great Oaks' use of a 10% blanket escalation to estimate TY Injuries and

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[25] Exhibit GOWC-5, at 42.

[26] *Id.*

[27] Cal Advocates Opening Brief at 9.

[28] Cal Advocates Testimony at 7-3.

Damages costs.[29] Great Oaks notes that it has instead applied a 3.9% escalation factor to estimated further argues that Cal Advocates' proposal reduces "projected Test Year Account 793 [sic] expenses to a level that is more than twenty percent (20%) less than recorded Account 793 [sic] expenses for rate year 2020/2021 and lower than all but two of the last six years.[30]

#### 4.1.7.2. Discussion

We adopt Cal Advocates' forecast for Test Year 2022/2023 Account 794 expense. Great Oaks' proposed increase is based on one year of estimated costs, and disregards the inconsistent trend in recorded costs, including multiple recorded years in which Great Oaks has spent less than the prior year. We also note that Great Oaks' Opening Brief misstates Cal Advocates' argument, which does not argue that Great Oaks applied a 10% escalation factor to forecast for this account.[31]

While Cal Advocates' forecast of Account 794 expenses for Test Year 2022/2023 ($47,049) is 20.5% less than the recorded Account 794 expenses in Rate Year 2020/2021 ($56,729), one year is an insufficient basis upon which to forecast future costs when the historical trend of costs is inconsistent, ($58,069 in 2015/16, $48,456 in 2016/17, $42,304 in 17/18, $40,546 in 18/19, and $47,209 in 19/20). Absent other showing, adopting a test year forecast based on one year of estimated Account 794 expense levels is incongruous with the recorded trend of inconsistent changes in costs. We thus adopt Cal Advocates' Account 794 expense forecast.

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29 Great Oaks Opening Brief at 35.

30 Great Oaks Reply Brief at 20.

31 Cal Advocates Opening Brief at 9.

#### 4.1.8. A&G Expense Account 795 Employee Pensions and Benefits

##### 4.1.8.1. Parties' Positions

The parties' Account 795 forecast disputes involve whether to fund Great Oaks' Injury and Accident Prevention/Corrective Exercise Program.[32] Great Oaks' Account 795 forecast includes this program at a cost of $60,000 per year, beginning with Test Year 2022/2023. Great Oaks' stated purpose of the program is "to address the physical condition of Great Oaks' employees and utilize corrective exercise techniques and methodologies in order to better prepare employees to avoid injuries and accidents."[33] Great Oaks argues that the program will help to prevent on-the-job injuries and to improve job performance.

Great Oaks argues that although the cost of the program represents less than five percent of all Account 795 projected Test Year 2022/2023 expenses, the potential benefits are significant. Great Oaks requests that this $60,000 per-year program be included in forecast Account 795 expenses of $1,316,405 for test Year 2022/2023 and adopted.

Cal Advocates proposes disallowing ratepayer funding for this program, arguing that it has no connection to industry-approved safety standards, the instructor has no industry-specific expertise, and that there is no evidence that the program can reduce injury. Cal Advocates argues that the program appears to only be applicable to exercise routines and not workplace safety.

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[32] Cal Advocates Account 795 forecast also reflected elimination of two employee positions which we have already addressed in Net Payroll Expense section, above).

[33] Exhibit GOWC-1, Chapter 5, at 34.

#### 4.1.8.2. Discussion

We find the Great Oaks' forecast for Account 795 Employee Pensions and Benefits reasonable and adopt it. We conclude that Great Oaks' Injury and Accident Prevention/Corrective Exercise Program is cost effective and has the valid purpose of increasing employee safety. Great Oaks' testimony provided by the Certified Corrective Exercise Specialist who designed the program, attested that it is "specifically intended to prevent on-the-job injuries and to improve job performance through corrective exercise techniques."[34] We find that the program constitutes a valid part of Great Oaks' overall Injury and Illness Prevention Program, which is a requirement for every California employer and the Commission supports safety improvements for customers and employees.[35] The program costs less than 0.3 percent of the total revenue requirement and is designed to prevent employee injuries that could cost much more than the program costs. We have considered Cal Advocates' objections but are unpersuaded by those objections. Accordingly, we adopt Great Oaks' forecast for Account 795.

### 4.1.9. Pension Expense Balancing Account Modifications

#### 4.1.9.1. Parties' Positions

Associated with Account 795 Employee Pension and Benefits Expenses is Great Oaks' authorized Pension Expense Balancing Account (PEBA). Great Oaks requests modification of the PEBA to ease the burden of review of this account when presented for amortization. Great Oaks proposes to calculate and record

[34] Exhibit GOWC-5, at 37.

[35] California Code of Regulations, Title 8, Subchapter 7, at § 3203; *see also* Exhibit GOWC-5, at 37.

calendar-year adopted pension expenses by recording 50% of the previous fiscal year added to 50% of the upcoming fiscal year. Great Oaks argues that the proposed modification of the terms and conditions of the PEBA will ease Commission review and remove confusion about the alignment of authorized and actual pension plan expenses. Great Oaks believes the current method of recording expenses in the pension balancing account has timing issues that result in large over/under-collections when reporting to the Commission on a semi-annual basis. Great Oaks believes that with the modification, a correct review will be assured and less burdensome. Great Oaks argues that better aligning authorized and actual pension plan expenses so that all such expenses are properly accounted for according to Great Oaks' July 1 to June 30 rate year, as opposed to having authorized expenses on a rate year schedule and actual expenses on a calendar year schedule makes sense from both a regulatory and a practical point of view.

Great Oaks argues that its request to modify the terms and conditions of the PEBA would simplify Commission review of the PEBA and any over- or under-collections in the PEBA by better aligning the time periods and recording of authorized and actual pension plan expenses. The proposed modifications to the PEBA are set forth in Exhibit GOWC-1 Exhibit 5-2.

Cal Advocates does not oppose Great Oaks proposed modification of the PEBA in principle but believes the request should be denied for this rate case. Cal Advocates argues that Great Oaks did not adequately describe how this modification would be implemented, or measures to ensure accounting accuracy. Cal Advocates argues the Great Oaks can make a more robust proposal in a future GRC but has failed to demonstrate it is entitled to the relief requested

here. Cal Advocates argues that Great Oaks' proposed modification obfuscates adopted amounts and decreases transparency and lacks clarity as to the amount of authorized expenses and when the expenses would be recorded.[36]
Cal Advocates also argues that Great Oaks does not address how to bridge the current and proposed methods to avoid recording the same amount twice over six months.[37]

If Great Oaks is allowed to record its expenses as proposed, Cal Advocates argues, there would be an overlap of recorded authorized expenses in Test Year 2022/2023. Great Oaks files its GRC applications in July, so its ratemaking years run from July until June of the following calendar year. Great Oaks' rates and expenses for 2021/2022 were already adopted in the previous rate case cycle. However, under the new method, a calendar year expense of 50% of authorized 2021/2022 expenses plus 50% of Test Year 2022/2023's authorized expenses would be recorded in the account in 2022 to correspond with the calendar year. Cal Advocates believes that the period of January to June 30, 2022, could therefore have Commission authorized expenses accounted for twice in the pension balancing account. Cal Advocates claims that Great Oaks has not proposed any method to prevent this inaccurate recording from happening.

Cal Advocates argues that the modification would increase the burden on the Commission when reviewing this account and create confusion concerning balancing accounts and recording methodology.

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[36] CA-1, 7-10, 7-11.

[37] *Id.*

#### 4.1.9.2. Discussion

We grant Great Oaks' request for modification to the PEBA.[38] We find that the requested modifications align authorized and actual pension plan expenses so that all such expenses are properly accounted for. Great Oaks shall thus apply the PEBA accounting on a July 1-to-June 30 rate year, as opposed to having authorized expenses on a rate year schedule with actual expenses on a calendar year schedule. The proposed modification of the terms and conditions of the PEBA will ease Commission review and remove confusion about the alignment of authorized and actual pension plan expenses. With the modification, a correct review will be assured and less burdensome. Under Great Oaks' accounting procedures, all applicable PEBA costs and payments are individually itemized and grouped by time period.[39] With this accounting in place, find no reason to conclude that Great Oaks' proposed modification will risk double counting of expenses.

### 4.1.10. Administrative & General Expenses – Account 796 Franchise Requirements.

Great Oaks and Cal Advocates agree on method of calculating Account 796 Franchise Requirements. The only remaining variable to calculate franchise requirements is the total operating revenues to apply. We authorize franchise requirement amounts using the mutually agreed-upon methodology supported by both parties. We apply this methodology to the total operating revenue amounts for each of the three rate years as separately adopted elsewhere in this order to determine the franchise revenue requirements.

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[38] Exhibit GOWC-1 Exhibit 5-2 shows the proposed modifications to the PEBA.

[39] Exhibit GOWC-5, at 41.

### 4.1.11. Administrative & General Expenses – Account 798 Outside Services

#### 4.1.11.1. Parties' Positions

Great Oaks forecasts Account 798 outside services expenses by applying an escalation factor to adopted 2021/2022 expenses and adding individual expense increases for its WaterSmart conservation program, a Customer Communications Program, and water quality and bacteriological testing.

The Account 798 forecast element that remains in dispute is the $155,000 Test Year cost of Great Oaks' proposed new Customer Communications Program. Cal Advocates' test year Account 798 expense forecast is based upon its recommendation to deny funding of the Customer Communications Program. All other Account 798 issues have been resolved, including the costs of Great Oaks' conservation program with WaterSmart.[40]

Great Oaks explained its Customer Communications Program in Exhibit GOWC-1 Exhibit 5-4. Great Oaks' current communications with customers are all handled by current employees in-house whereas the new Customer Communications Program is intended to broaden, enlarge, and improve customer communications in ways that cannot be done in-house. Great Oaks currently communicates with customers in various ways, including through email, telephone, bill inserts, written correspondence, and notices published in newspapers. With increasing emphasis on customer communications, Great Oaks argues, the costs of the program will be money well spent.

Cal Advocates argues that the proposed program budget is incomplete. A note on the quote by Randle Communications asserts that a website rebuild

[40] Joint Statement – Stipulations Customers, Rate Design, Conservation Budget, at 2.

could cost between $50,000 and $80,000 and would be additionally billed to Great Oaks by the website vendor. Cal Advocates claims this potential cost is not accounted for in the requested budget and that costs will likely exceed anticipated amounts if Great Oaks choses to rebuild its website as part of the program. Great Oaks responds that it is saving money on the program by performing its own website work.

Cal Advocates argues that Great Oaks did not consider if it would be able to better serve its customers by keeping the communication services in house, nor did it request a quote from another communications company. Great Oaks responds that although it did not obtain multiple quotes, the vendor providing the quote has significant experience developing and designing communications programs for California Class A water utilities that have been approved by the Commission. Great Oaks informed Cal Advocates of the qualifications of Randle Communications.

Cal Advocates further argues that although the Customer Communication Program is intended to partially replace the existing communications program, Great Oaks did not adjust other communication expenses to reflect this adjustment.

Great Oaks responds to Cal Advocates claim that it should adjust other costs if the communications program is allowed, by questioning what costs should be adjusted. The proposed new communications program does not replace employees but provides information to customers in ways Great Oaks' employees cannot provide at present.

#### 4.1.11.2. Discussion

We reject Great Oaks' forecast for Account 798 Outside Services and conclude they are not reasonable. We agree with Cal Advocates that Great Oaks did not obtain multiple quotes for the program. Regardless of whether the one vendor has experience developing and designing communications programs for California Class A water utilities, Great Oaks failed to meet its burden of establishing the proposed cost as reasonable to support approval of this request. Additionally, Great Oaks failed to establish there is an actual need for and did not provide a cost-benefit analysis to justify the proposed expense. Accordingly, we deny this request.

### 4.1.12. Administrative & General Expenses – Account 811 Rent Expense

#### 4.1.12.1. Parties' Positions

Great Oaks forecasts $257,918 for Account 811 Rent Expenses for Test Year 2022/2023. Account 811 expenses include base rent and Great Oaks' share of annual operating expense increases.

Great Oaks states that its Test Year forecast is based upon a written lease agreement in place since 2009, with an amendment effective June 30, 2014. The last fully completed Rate Year was 2020/2021, and Great Oaks' Account 811 Rent Expenses for that year were $257,328.13. Account 811 expenses for the current 2021/2022 Rate Year are projected to be slightly lower, at $251,013 and Test Year 2022/2023 expenses are projected to be slightly higher.

Cal Advocates recommends that Test Year 2022/2023 Account 811 Rent Expenses of $247,519. Cal Advocates' recommendation includes the Operating Expenses (also known as Common Area Maintenance (CAM)) written in the lease. Cal Advocates claims that the proper formula is base rent, plus a

CAM payment (Operating Expenses) multiplied by an escalation, and that Great Oaks' argument lacks support in the terms of the lease.[41] Cal Advocates also notes that the difference between the parties' positions stem from a calculation error on the part of Great Oaks.[42]

#### 4.1.12.2. Discussion

We find Great Oaks' forecast of $257,918 for Account 811 Rents to be unreasonable and decline to adopt it. We agree with Cal Advocates that the terms of the lease will dictate the rent. Also as noted by Cal Advocates, the difference between the parties appears to be a calculation error on the part of Great Oaks. As discussed above, Cal Advocates' recommendation included CAM, which is written into the lease, and uses the formula of base rents, plus a CAM payment multiplied by an escalation factor, resulting in a figure of $247,519. Accordingly, we adopt Cal Advocates recommendation for Account 811 Rent Expenses for Test Year 2022/2023.

### 4.1.13. Non-Tariffed Products and Services.

#### 4.1.13.1. Parties' Positions

Great Oaks has non-tariffed products and services (NTP&S) revenues from its HomeServe Insurance, cell tower leases, and Building 2 lease. It projects NTP&S revenues in the Test Year to be $161,892.

Great Oaks' proposed sharing of revenues from its passive non-tariffed products and services was based upon and consistent with the same agreement that has been in place with Cal Advocates since Great Oaks' 2015 GRC. This

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[41] For Test Year 2022/2023, Cal Advocates calculation is ($19,449.7728*12 months)+(14,009.64 CAM)*(1+0.80% escalation)) = $247,519.

[42] *See*, Cal Advocates Opening Brief at 7-8.

agreement provided an equal sharing of all revenues from non-tariffed products and services.

In this proceeding however, Cal Advocates deviates from the prior agreement and agreed approach and argues that the utilities are required to allocate the first $100,000 of NTP&S revenue solely to customers, and the remainder 70% to customers and 30% to the utility. Cal Advocates calculates that this would result in $113,626 in annual NTP&S revenue credited to Great Oaks ratepayers in Test Year 2022/2023.

Great Oaks does not disagree that the Commission's Modified Rules for Water and Sewer Utilities Regarding Affiliate Transactions and the Use of Regulated Assets for Non-Tariffed Utility Services adopted in D.11-10-034 apply to the passive revenues generated through the leases referenced above. Great Oaks however argues that Cal Advocates recommends a change in the handling of revenues from non-tariffed products and services without mentioning that Cal Advocates had previously agreed to the approach Great Oaks used in the last two GRC's.

Cal Advocates disputes Great Oaks' claim that the 2018 GRC Settlement regarding equal revenue sharing is a binding commitment to carry on perpetually. Cal Advocates points to Rule 12.5 and argues that Commission adoption of a settlement does not constitute precedent regarding any principle or issue in any future proceeding. Rather, applicable Commission decision is controlling in this matter, which provides that utilities must share gross revenues more than $100,000 from passive NTP&S projects at a ratio of 70% to shareholders and 30% ratepayers, and 90% and 10% for active NTP&S projects.

Cal Advocates also disputes Great Oaks' rebuttal that should NTP&S revenues be shared with ratepayers according to D.11-10-034, arguing that Great Oaks will have little incentive to continue those activities, and that when it discontinues its NTP&S activities, rates will increase. If Great Oaks wishes to propose a revision to NTP&S revenue sharing, Cal Advocates argues that it can consider the procedural options available. If Great Oaks believes discontinuation of NTP&S revenue sharing activities supports a rate increase, it can seek appropriate Commission authorization. In the meantime, Cal Advocates argues that Great Oaks be required to adhere to existing requirements for sharing revenue from NTP&S services.

For purposes of moving forward, Great Oaks agrees to accept Cal Advocates' recommended ratepayer credit of ($113,626) for Test Year 2022/2023.

#### 4.1.13.2. Discussion

With Great Oaks' agreement to accept Cal Advocates' proposed ratepayer credit of $113,626, we find this agreed upon resolution reasonable and adopt the agreed upon credit of $113,626 for NTP&S revenue as the test year amount. Accordingly, we need not substantively resolve all of parties' disagreements regarding this issue. Going forward, Great Oaks shall adhere to the existing requirements for sharing revenue from NTP&S services according to D.11-10-034.

### 4.2. Contested Plant-in-Service and Rate Base Issues

#### 4.2.1. Routine Account 345 Plant in Service Additions

##### 4.2.1.1. Parties' Positions

Great Oaks and Cal Advocates differ in their Account 345 forecast of routine plant-in-service additions for Test Year 2022/2023, as shown below.

| Great Oaks | Cal Advocates |
|---|---|
| $137,167 | $91,055 |

Great Oaks' forecast of Account 345 routine plant-in-service additions is based upon average additions over the period from 2017 through projected Test Year 2021/2022. Great Oaks notes that this methodology has been used by Great Oaks over multiple rate case cycles and has not been the subject of dispute before now. Over the course of a particular year, Great Oaks argues, it is necessary to either add or replace services because of changing circumstances such as new customers or aging water system assets.

Great Oaks proposes no specific projects as these plant-in-service additions are a normal or common occurrence. Great Oaks explains that each year, new services are installed. The projected cost of the new service installations is based upon average investment costs from 2017 through Rate Year 2020/2021.

Cal Advocates believes that Account 345 Services funds connections of previously un-served customers to Great Oaks' system. Cal Advocates asserts that Great Oaks has not submitted any planned projects that would use this account and instead relies on the average of Account 345 investments made from

2017 through 2020, plus escalation factors.[43] Cal Advocates contends that these years include a high outlier year, Calendar Year (CY) 2020, when the recorded expense was $238,067, and exclude a low outlier year, 2016, when the recorded expense was only $16,993.56.[44] Cal Advocates argues that this leads to an inaccurate average that will be much higher than necessary. Instead, the Commission should authorize $91,055 for Services for 2022/2023 and $91,146 for 2023/2024, which are Great Oaks' Services amounts authorized by the Commission in 2019, with an escalation factor of 0.55% for 2022/2023 and 0.65% for 2023/2024 consistent with Cal Advocates published escalation factors.[45]

Great Oaks argues that there is no reasonable basis to accept Cal Advocates' projection of Account 345 Services plant-in-service additions using the amounts adopted in the settlement of the 2018 GRC.

#### 4.2.1.2. Discussion

We find Great Oaks' forecast of Account 345 plant additions of $137,167 to be unreasonable and we decline to adopt it. Here, Great Oaks' estimate is based on a four-year average for which Great Oaks failed to include a 2016 low year outlier of $16,993 in recorded costs, while including a high year outlier of $238,067 in recorded costs in 2020 (2017-2019 costs range from $78,498 to $86,657). We agree with Cal Advocates that it was improper for Great Oaks to exclude data from 2016 when creating a reasonable average for forecasting future costs, when historical costs have such variability. Therefore, we adopt Cal Advocates recommendation for Account 345 as set forth above.

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[43] Cal Advocates Opening Brief at 14.

[44] GOWC-2, tab WP 18, row 38.

[45] Cal Advocates Opening Brief at 14.

#### 4.2.2. Account 346 Meters

##### 4.2.2.1. Parties' Positions

Great Oaks and Cal Advocates forecast different amounts for the Test Year 2022/2023 plant-in-service additions for Account 346 Meters as shown below.

| Great Oaks | Cal Advocates |
|---|---|
| $159,503 | $104,900 |

Great Oaks' asserts its forecast for Account 346 Meters is based on meter replacement that it believes must be conducted in order for Great Oaks to be in compliance with the Commission's GO 103. Great Oaks argues that completion of the GO 103 Meter Replacement Program requires the replacement of 1,410 meters, or an average of 470 meters each year during the three-year rate case cycle beginning with Test Year 2022/2023.[46]

Cal Advocates disputes Great Oaks' claim that it is required to replace 1,410 meters in the rate cycle to comply with GO 103-A. Cal Advocates argues that citing the request for funding authorization in its application as proof is a circular, invalid argument. Cal Advocates believes it is more likely that Great Oaks will replace meters consistent with the four-year average, 300 meters per year, and recommends $104,900 for 2022/2023 and $105,004 for 2023/2024 based on the escalated cost of Great Oaks 2017-2020 completed meter replacements. Cal Advocates argues that because Great Oaks has not proposed any specifically planned or defined projects that would cause it to vary from the average, Great Oaks' projected costs are not justified.

[46] Exhibit GOWC-5, at 56.

Cal Advocates' forecast is based on escalated Great Oaks 2017-2020 completed meter replacements. Cal Advocates argues that from 2017 to 2020, Great Oaks only replaced 1,199 meters, an average of 300 per year.[47]

Great Oaks argues that Cal Advocates failed to consider compliance with GO 103 in its testimony or when making its recommendations. Great Oaks also objects to Cal Advocates' simple averaging approach of the number of meters replaced over a four-year period as an unreasonable methodology.

##### 4.2.2.2. Discussion

We find that Great Oaks' forecast for Account 346 is not reasonable, and we decline to adopt it. Installing 1,800 meters total or 470 meters per year through the three-year period associated with this GRC cycle is an ambitious, but unreasonable goal. As noted by Cal Advocates from 2017-2020 Great Oaks only installed 1,199 meters or an average of 300 meters per year. We acknowledge that in 2017 Great Oaks did install 724 meters. However, Great Oaks proposes to conduct this ambitious requested meter replacement without additional dedicated staff and on an ad hoc basis.[48] We agree with Cal Advocates and adopt the recommendation of Cal Advocates as set forth above.

#### 4.2.3. Account 372 Computers

##### 4.2.3.1. Parties' Positions

Great Oaks forecasts $87,596 for Account 372 Computers for Test Year 2022/2023. Cal Advocates proposes a lower forecast of $66,104. Great Oaks' forecast relied on the average investments in Account 372 Computers from 2017 through 2020, with escalation factors for Rate Year 2021/2022. Great Oaks has

[47] Exhibit CA-1 at 10-7.

[48] Exhibit GOWC-4 at 156.

used this methodology for projecting Account 372 plant-in-service additions for several rate case cycles.

Cal Advocates claims that Great Oaks does not include data to support specifically planned or defined computer equipment projects. In the absence of specifically planned and defined projects, Cal Advocates argues that Great Oaks' proposed budgets are not justified. Cal Advocates therefore argues that only $66,104 for computer equipment for test year 2022/2023 should be authorized.

Great Oaks disputes Cal Advocates' recommendation, arguing that it is not based upon recorded Account 372 investments but upon adopted Account 372 plant-in-service additions from the settlement of Great Oaks' 2018 GRC.

#### 4.2.3.2. Discussion

We find Great Oaks' test year forecast for Account 372 reasonable and adopt it. Great Oaks' methodology uses an average of four years of actual costs, while Cal Advocates' methodology uses only an estimate adopted from a prior settlement. Great Oaks explains: "With the increasing demands from the Commission and other government agencies for data, the Company now must replace more computer equipment each year to eliminate obsolete or non-functional computer equipment each year and to add more data storage and backup capacity."[49]

We find Great Oaks' forecast reflects this continued and reasonably foreseeable need for updating its computer systems consistent with progressing technology and regulatory demands. Cal Advocates' forecast, by contrast, does not reflect ongoing changes in Account 372 funding needs during the 2022-2025

[49] Exhibit GOWC-1, Exhibit G, at 3.

rate cycle, being based instead merely on the amount previously adopted for the prior 2018 GRC Settlement.

### 4.2.4. Working Cash Component of Rate Base

#### 4.2.4.1. Parties' Positions

The working cash component of rate base is an allowance for money furnished from utility funds to satisfy ordinary requirements for minimum bank balances and to bridge the gap between when expenses of rendering utility service are paid to vendors and when revenues from the same service are collected. The Parties differ as to the amount that should be adopted as the working cash component of 2022/2023 test year rate base, as follows:

| Great Oaks | Cal Advocates |
|---|---|
| $2,803,239 | $1,656,114 |

The Parties' differing positions arise from their use of different calculation methodologies. The governing calculation methodology to calculate working cash allowance for rate base is addressed by the Commission's Standard Practice U-16-W, as follows:

> For practical reasons, the method of determining the working cash allowance varies with the size, nature, and the operation of the utility. For utilities not large enough to justify a detailed study, or when a detailed study would be impractical from a work-time viewpoint, a simplified basis may be used to develop a working cash allowance. For major utilities, a detailed method is used based upon the so-called "weighted-average or lead-lag" study. In the final analysis the amount of working cash to be included in the rate base must rest upon the analyst's judgment. The amount of working cash allowance in the end result is essentially a judgment amount based upon what the analyst believes to be fair and

> reasonable for the operations of the utility but within limitations dictated by the size of the utility and staff policy.[50]

Great Oaks used the simplified method as referenced in Standard Practice U-16-W in calculating the working cash allowance in rate base. Great Oaks argues that use of the simplified method is reasonable and is the same methodology as it has consistently used in past GRC proceedings.

Cal Advocates, however, argues that use of a different and detailed method should be required for determining Great Oaks' working cash allowance. Cal Advocates' witness considered the size of Great Oaks as a Class A utility should be a factor in the analysis utilizing the detailed method, while claiming that other Class A Water Utilities calculate their working cash allowances on a detailed basis. Cal Advocates argues that because the working cash allowance in the rate base for major utilities is normally developed by the detailed basis, it also should be applied here.

Cal Advocates also notes that pursuant to the Settlement approved in the previous GRC, Great Oaks agreed "to provide a comparison of the two working cash allowance methodologies in its next GRC application and provide appropriate support for the method it recommends."[51] Cal Advocates argues, however, that Great Oaks has not provided written rationale for use of the simplified method to calculate working cash. Cal Advocates further argues that there is no evidence that the simplified method benefits ratepayers.

Cal Advocates argues that a detailed calculation of working cash needs results in a lower revenue requirement as compared to the simplified method.

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[50] Standard Practice U-16-W, Ch. 1, D.3.

[51] Settlement Agreement, at 33.

Cal Advocates calculated that use of the detailed working cash allowance method would save ratepayers $897,681 in Test Year 2022/2023 and $1,162,040 in Escalation Year 2023/2024. Cal Advocates argues that these ratepayer savings are all the justification necessary for requiring the detailed basis for calculation of working cash in this and all future GRC's.

The detailed method incorporates a lead-lag analysis of cash flows, measuring (a) revenue lag, the time between ratepayers receiving and paying their bills, and (b) expense lag, the time between a utility facing an expense and when the expense is paid. In the absence of a lead lag analysis and for the sake of simplicity, Cal Advocates believes Great Oaks' expense lags should be adopted for most expenses in this GRC. However, Cal Advocates proposes that in future GRCs, Great Oaks report dates paid for each account over the year and calculate an average for each number to capture the time required to pay expenses.

Cal Advocates argues that Great Oaks' expense lag projections for payroll taxes and income taxes do not reflect the actual time needed to pay the expenses. Great Oaks is projecting lags of zero days for these expenses. Cal Advocates claims that Standard Practice U-16-W only mentions zero lag days with regards to utility-contributed employees' benefits and depreciation.

Based on the use of the detailed method, its calculated changes to expense lags, and use of projected Test Year 2022/2023 expenses, Cal Advocates proposes that the Commission adopt an expense lag of 18.07 days in Test Year 2022/2023 and 17.93 days in Escalation Year 2023/2024. Cal Advocates notes that depending on the expense amounts adopted by the Commission, the expense lag days calculation could change.

Great Oaks disputes Cal Advocates' claim that it is a major utility under the terms of Standard Practice U-16-W in the same league as California Water Service Company, San Jose Water Company, and Pacific Gas and Electric Company. Great Oaks further argues that its use of the simplified basis method has been approved by the Commission for the duration of Great Oaks' existence. Standard Practice U-16-W provides instructions on how to calculate the working cash allowance using the simplified method. In so doing, the Standard Practice makes references to how Class A water utilities should consider certain accounts for purposes of determining purchased power expenses. Great Oaks argues that Standard Practice U-16-W contemplates that Class A water utilities will be using the simplified basis method to calculate the working cash allowance.

In summary, Great Oaks requests that its use of the simplified method of calculating the working cash component of rate base be found just and reasonable and its working cash forecast be accepted in this proceeding.

#### 4.2.4.2. Discussion

We adopt Great Oaks' proposed test year forecast of the working cash allowance. We conclude that Great Oaks justified its working cash allowance methodology using the simplified basis.

The Commission has previously approved Great Oaks' use of the simplified basis method to calculate working cash in past rate case cycles. Cal Advocates has not identified a convincing rationale to warrant a change with respect to Great Oaks' previously approved working cash method under Standard Practice U-16-W.

As noted in Standard Practice U-16-W, the amount of working cash allowance is essentially a judgment amount based upon what the analyst believes to be fair and reasonable for the operations of the utility but within limitations dictated by the size of the utility and staff policy.

We are not persuaded that Great Oaks must use the detailed basis merely because it is a Class A water utility. Standard Practice U-16-W does not require Great Oaks to use the detailed basis simply because it is a Class A water utility. Standard Practice U-16-W contains no express directive that Class A water utilities must or should use the detailed basis.

Standard Practice U-16-W does indicate that "[t]he working cash allowance included in rate base for major utilities is normally developed by the detailed basis." The Standard Practice lists several utilities as examples of "major" utilities, including other Class A utilities such as California Water Service Company, San Jose Water Works (now San Jose Water Company), and Pacific Gas & Electric Company calculate working cash allowances using the detailed basis.[52]

We do not consider Great Oaks to be a "major" utility, however, in reference to use of the detailed basis for working cash. Great Oaks has a significantly smaller number of service connections than other Class A water utilities, and a smaller administrative department compared to other utilities characterized as "major" in Standard Practice U-16-W. Great Oaks has an accounting department with one employee, its Chief Financial Officer. Therefore, within the limitations of staff size, we conclude that it is not practical or efficient to impose upon Great Oaks' one employee the burden of performing the

52 Exhibit CA-1, at 14-3.

working cash allowance on the detailed basis when that task is likely performed by a team of people working at major utilities.

The use of the detailed basis does not account for how cash flow is impacted by the seasonality of Great Oaks' water usage. When usage is higher during the warmer months of the year, Account 700 Groundwater Charges and Account 726 Purchased Power expenses are also higher. Consequently, more cash is required during the warmer months to pay those bills when they are due. Due to the two-month billing cycles for most Great Oaks customers, the revenues received in August, for example, are generated from water sales in May and June. The bills, however, must be paid with the revenues received in August include the higher costs from July water production. Based on use of the detailed basis to calculate a working cash allowance, Great Oaks would not have enough cash on hand to pay its bills during times when water usage and associated expenses are higher than average, while revenues received are from lower usage time periods.

Based on these considerations, we find Great Oaks' use of the simplified method is reasonable, and its forecasted working cash allowance computed on that basis is reasonable and adopted.

#### 4.2.5. Adopted Rate Base

We adopt a total rate base of $17,596,083 for Test Year 2022/2023 and $18,164,288 for Escalation Year 2023/2024, and $18,277,692 for Attrition Year 2024/2025. These adopted rate base amounts are reflected in the Summary of Earnings set forth in Attachment A hereto. The adopted rate base figures incorporate resolution of all the contested issues as well as the Partial Settlement

Agreement provisions. The elements of the 2022/2023 Test Year rate base are itemized below:

| **Rate Base Elements** | **Test Year Adopted Amount** |
|---|---|
| Utility Plant | |
| Utility Plant in Service | $54,561,656 |
| Construction Work in Progress | $ 129,275 |
| **Total Gross Plant** | **$54,690,930** |
| Minus: Accumulated Depreciation | |
| Plant in Service | -$30,043,476 |
| Minus: Other Reserves | |
| Deferred Income Taxes | -$3,012,513 |
| Deferred Investment Credits | -933 |
| Total Other Reserves | -$3,013,446 |
| Minus: Adjustments | |
| Contributions for Construction | -$2,471,746 |
| Advances for Construction | -4,427,190 |
| Less: Deferred Tax - AFC | +496,492 |
| Net Advances for Construction | -$3,930,698 |
| **Total Adjustments** | **-$6,402,444** |
| Minus: Adjustments for Excess Tax Reserve | -$438,721 |
| Plus: Working Cash – Simplified Basis | +$2,803,239 |
| Total Rate Base | $17,596,083 |

## 4.3. Balancing Account and Memorandum Account Issues

### 4.3.1. Amortization of Groundwater Charge Balancing Accounts

#### 4.3.1.1. Parties' Positions

Great Oaks and Cal Advocates recommend that Great Oaks be authorized to amortize the balances in its two incremental groundwater charge balancing accounts through an appropriate Advice Letter filing. Great Oaks does not agree with Cal Advocates' methodology, however, and requests authority to amortize the balancing accounts according to the terms and conditions of the accounts rather than using Cal Advocates' methodology.[53] Great Oaks intends to file the Advice Letter to amortize the balances in the accounts after rates are in effect from this proceeding.

#### 4.3.1.2. Discussion

We grant Great Oaks' request to amortize the balances in these accounts according to the prescribed terms and conditions through appropriate Tier 1 Advice Letter filings. We authorize this amortization to occur in combination with other balancing or memorandum account amortization. We find this combined amortization reasonable to avoid multiple surcharges/sur-credits.

### 4.3.2. Amortization of Catastrophic Events Memorandum Account (CEMA)

#### 4.3.2.1. Parties' Positions

Both Great Oaks and Cal Advocates recommend that Great Oaks amortize the balance in its CEMA for the 2019 Public Safety Power Shutoff events and then close that CEMA.

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[53] Exhibit GOWC-5, at 44 – 45.

#### 4.3.2.2. Discussion

We grant Great Oaks' request for authority to file an Advice Letter to amortize the CEMA balance alone, or in combination with requests to amortize other appropriate balances in memorandum or balancing accounts. We also authorize Great Oaks to close this account once the amortization is completed.

### 4.3.3. Supplier Diversity Program Expense Memorandum Account

#### 4.3.3.1. Parties' Positions

Great Oaks requests a new GO 156 Supplier Diversity Program Memorandum Account. This account would track expenses related to SB-255, which sets supplier reporting requirements for utilities with revenues above $25 million. Rulemaking (R.) 21-03-010 has been instituted to revise the GO 156 Supplier Diversity Program. Great Oaks is a respondent to this Rulemaking and aware of recent legislation expanding certain aspects of the Program.

Cal Advocates objects to establishment of this new memorandum account, however, arguing that Great Oaks has not provided adequate support for the actual cost of compliance with GO 156. Cal Advocates notes that the rulemaking establishing the reporting requirements is still ongoing. Cal Advocates argues that the Commission should deny Great Oaks' request but instruct it to submit an Advice Letter to establish a memorandum account after a final decision is issued and its revenues exceed $25 million.

Great Oaks claims that Cal Advocates' opposition is based upon unfounded assumptions. Great Oaks argues that it could not know the cost of complying with new requirements that are not yet adopted by the Commission, but which will be adopted by the time Great Oaks becomes a participant in the Supplier Diversity Program.

Great Oaks argues that it meets the requirements for a establishing a new memorandum account. The expenses for GO 156 compliance cannot be known until the reporting requirements are adopted by the Commission, a factor beyond Great Oaks' control. The expenses cannot be reasonably foreseen or estimated for the same reason and may be substantial. Great Oaks thus requests that it be authorized to establish a new memorandum account to track and recover its costs of complying with GO 156 Supplier Diversity Program and its reporting requirements.

#### 4.3.3.2. Discussion

We find Great Oak's proposal to establish a GO 156 Supplier Diversity Program Memorandum Account reasonable and authorize it. We find no persuasive reason to delay approval of this requested memorandum account. R.21-03-010 is underway and new supplier diversity requirements and reporting are expected. A proposed decision issued in that proceeding involving additional supplier diversity requirements will ultimately apply to Great Oaks. This new memorandum account is justified because the costs associated with compliance with new reporting requirements being adopted in R.21-03-010 cannot reasonably be estimated and may be material.

Based upon the rate increases granted in this proceeding, Great Oaks' gross annual California revenues are expected to exceed $25 million, making Great Oaks an automatic participant in the Commission's GO 156 Supplier Diversity Program. Previously Great Oaks has not had to comply with the various supplier diversity requirements, including reporting requirements. Ratepayers will benefit from Great Oaks' participation in the Supplier Diversity

Program. Based on these facts, we authorize Great Oaks to establish the requested memorandum account.

#### 4.3.4. Lead and Copper Rule Revisions Expense Memorandum Account.

##### 4.3.4.1. Parties' Positions

Great Oaks has requested authority to establish a new memorandum account to track and recover costs associated with complying with the United States Environmental Protection Agency's (US EPA) Lead and Copper Rule Revisions (LCRR). Great Oaks argues that compliance with LCCR requirements will be a laborious process, and that though it is not able to estimate the expenses of this process, those expenses may be substantial. The Field Services – Water Quality Specialist/Environmental Services employee that Cal Advocates seeks to remove would be the person Great Oaks intends to use to accomplish this process.

Cal Advocates opposes Great Oaks request for a new lead and copper memorandum account to track the costs related to investigating service lines that may include lead or copper. Cal Advocates claims that Great Oaks did not provide information about the scale of the costs and if they will be substantial. One of the requirements for memorandum account treatment is that the costs are of a "substantial nature such that the amount of money involved is worth the effort of processing a memo account."[54] Cal Advocates argues that Great Oaks must demonstrate the magnitude of costs involved before the Commission can find whether the costs will be substantial. Cal Advocates argues that Great Oaks

[54] Standard Practice U-27-W.

must meet the requirements of Standard Practice U-27-W before the Commission authorizes creation of a memo account.

#### 4.3.4.2. Discussion

We find Great Oaks' proposal to establish a memorandum account to track and recover costs associated with complying with the US EPA's LCRR reasonable and we authorize it. Great Oaks must meet new requirements (established in 2021) that will require it to take actions different from preparing and reporting information about its own pipelines and pipeline materials. Great Oaks presented testimony that the costs of complying with the LCCR will likely be substantial. The LCRR will require Great Oaks to inventory the privately-owned portion of a service line and categorize its findings as either lead, galvanized, non-lead (including copper, plastic, or steel) or lead status unknown. To accomplish this inventory and reporting, Great Oaks is to review "construction and plumbing codes, permits and existing records or other documentation which indicates the service line materials used to connect structures to the distribution system."[55]

Great Oaks is required to review various records, including records only available through third parties or government agencies, to discover and report on the materials used in service connections that are on customer property (*i.e.,* not Great Oaks' service lines).[56]

We conclude that Great Oaks has made a sufficient showing that the associated LCRR costs are unexpected and will be substantial. We therefore grant

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[55] Exhibit GOWC-1, Exhibit 3-8.

[56] *Id.*

Great Oaks' request to establish a memorandum account for the costs of LCCR compliance.

#### 4.3.5. Santa Clara Valley Water District Litigation Memorandum Account

##### 4.3.5.1. Parties' Positions

Great Oaks' requested adjustment to the terms and conditions of its Santa Clara Valley Water District Litigation Memorandum Account is justified and approved. The proposed change to the memorandum account preliminary statement tariff sheet is set forth in Exhibit GOWC-1, Exhibit 3-9. The proposed change applies only if Great Oaks is both successful and recovers money from the Santa Clara Valley Water District in the litigation.

If the litigation is successful and Great Oaks recovers from the Santa Clara Valley Water District any amount of money, the Commission practice is to permit the Company to recover the outside costs of litigation (attorney fees and costs), with the net proceeds going 100% to ratepayers. The language that limits Great Oaks' recovery of expenses to $100,000 in the event the litigation is not successful remains in the proposed tariff sheet.

Cal Advocates opposes the requested modification to this existing memorandum account, and argues that, if Great Oaks prevails in the litigation, the proposed change would entitle Great Oaks to recover litigation costs first, before the net proceeds are distributed to customers, subject to a reasonableness review. Cal Advocates argues that this change would significantly reduce or eliminate the benefit to ratepayers, as these costs, which currently stand at approximately $3M, would be deducted from the proceeds that would be due to ratepayers, if the litigation succeeds. Furthermore, Cal Advocates argues that this change would enable a scenario where Great Oaks could settle the case for $3M, and customers would not receive any of the proceeds. Cal Advocates further argues that since the decision to pursue this litigation is a risk that Great Oaks chose to bear, and since Great Oaks is already able to recover up to $100,000 in litigation costs, the ratepayers should not be required to provide Great Oaks with a more comfortable safety net.

Great Oaks responds that the requested modification does not impact Great Oaks' customers if Great Oaks does not prevail in the litigation and does not recover a money judgment from the Santa Clara Valley Water District. Great Oaks argues that Cal Advocates' position is contrary to regular Commission practice and would deny Great Oaks the opportunity to recover its expenses of litigation in the event of a successful outcome.

In this regard, the existing and authorized Santa Clara Valley Water District Litigation Memorandum Account states: "If the litigation is successful the regular Commission practice is to permit the recapture of the expense of the litigation – subject to a reasonableness review – with the net proceeds going 100% to ratepayers."[57]

Great Oaks thus argues that its request is consistent with the Commission's regular practice, as the requested adjustment will simply allow Great Oaks to recover the expense of the litigation, subject to a reasonableness review, if the litigation is successful.

#### 4.3.5.2. Discussion

We find that Great Oaks' proposed change in language in the memorandum account is reasonable and authorize it. Since the proposed change applies only if Great Oaks is both successful and recovers money from the

[57] Exhibit GOWC-1, Exhibit 3-9

Santa Clara Valley Water District in the litigation, ratepayers will not be disadvantaged. Cal Advocates' arguments to the contrary are unconvincing. Accordingly, we adopt Great Oaks' proposed change in the language and authorize Great Oaks to file an Advice Letter to implement changes in its Santa Clara Valley Water District Litigation Memorandum Account reflecting the modifications set forth in Exhibit GOWC-1, Exhibit 3-9.

### 4.4. Rate Design Issues

#### 4.4.1. Forecasted Meters and Meter Sizes

As noted previously, Great Oaks and Cal Advocates did not reach agreement on the Test Year forecasted number of customers. Cal Advocates, however, expresses no objection to the number and sizes of water meters forecasted by Great Oaks, assuming its forecasted customer numbers are adopted. Accordingly, since we have adopted Great Oaks' forecasted customer numbers for Test Year 2022/2023, we correspondingly adopt Great Oaks' forecasted number and sizes of meters for Test Year 2022/2023 as follows:

| Meter Size | Number of Meters |
|---|---|
| 5/8" x 3/4" | 5,636 |
| 3/4" x 3/4" | 13,916 |
| 1-inch | 990 |
| 1.5-inch | 363 |
| 2-inch | 477 |
| 3-inch | 67 |
| 4-inch | 47 |
| 6-inch | 11 |
| 8-inch | 8 |

| | |
|---|---|
| 10-inch | 3 |
| **Total** | **21,518** |

#### 4.4.2. Adopted Rates for Private Fire Protection Customers

We adopt rates for Private Fire Protection Meters based upon the number of private fire connection customers and meter services as stipulated by Great Oaks and Cal Advocates pursuant to the Partial Settlement Agreement. Accordingly, we utilize the following forecast of Private Fire Protection Customer to compute per-customer rates as summarized below:

**Stipulated Fire Protection Customers**

| | | |
|---|---|---|
| 2022/23 | 2023/24 | 2024/25 |
| Test Year | Escalation Year | Attrition Year |
| 350 | 354 | 358 |

Based upon the stipulated Private Fire Protection Customer figures for Test Year 2022/2023, applied to the revenue requirement to be collected pursuant to this order, the following private fire protection rates and revenues are adopted for Test Year 2022/2023:

| **Meter Size** | **Customers** | **Monthly Service Charge** | **Revenues** |
|---|---|---|---|
| 2-inch | 105 | $19.97 | $25,164 |
| 4-inch | 42 | $33.24 | $16,751 |
| 6-inch | 98 | $50.57 | $59,469 |
| 8-inch | 76 | $68.20 | $62,202 |
| 10-inch | 26 | $87.27 | $27,229 |
| 12-inch | 3 | $112.82 | $4,062 |

| | | |
|---|---|---|
| **Total Revenue** | | **$194,876.54** |
| CPUC Surcharge | 1.43% | $2,787 |
| **Total Private Fire Protection Revenues Plus CPUC Surcharge** | | **$197,663** |

#### 4.4.3. Service Charges and Uniform Quantity Rates

As stipulated in the Partial Settlement Agreement, Great Oaks and Cal Advocates have agreed to the methodology for calculating service charges and the uniform quantity rate, as well as for tiered conservation rates. We adopt this rate design in prescribing the rates adopted herein. Accordingly, 75% of fixed costs shall be recovered through service charges and all remaining costs (25% of fixed costs and 100% of variable costs) shall be recovered through the quantity charge. The adopted calculation of the service charges and the uniform quantity rates as set forth in Attachment B of this decision

#### 4.4.4. Adopted Customer Assistance Program Surcharge

We adopt Great Oaks' calculation of the Customer Assistance Program (CAP) Surcharge. The number of participants in the CAP program is based upon Great Oaks' most recent compliance filing in R.17-06-024, the low-income rulemaking that requires monthly reporting of participation in CAP programs. The methodology to calculate the CAP surcharge is not in dispute.

#### 4.4.5. Impacts of Rate Increases on Average Residential Bill

Upon implementation of the adopted revenue increases and rate design policies as authorized in this decision, effective July 1, 2022, the average Great Oaks residential customer bill will increase by $1.75 (or 1.53%) over a two-month billing period. The annual increase for the same customer would be $10.47 (or 1.53%).[58]

#### 4.4.6. Rate Increase Impacts on Environmental and Social Justice Action Plan

In February 2019, the Commission adopted its Environmental and Social Justice (ESJ) Action Plan as a comprehensive strategy and framework for addressing ESJ issues in each proceeding. Environmental justice means the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, and enforcement of environmental laws, regulations, and policies.[59] The nine goals of the ESJ Action Plan are:

1. Consistently integrate equity and access considerations throughout CPUC proceedings and other efforts.
2. Increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health.
3. Strive to improve access to high-quality water, communications, and transportation services for ESJ communities.
4. Increase climate resiliency in ESJ communities.
5. Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the CPUC's decision-making process and benefit from CPUC programs.
6. Enhance enforcement to ensure safety and consumer protection for ESJ communities.

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[58] The average residential rate increase assumes consumption of 9 ccfs per month a with ¾″ x ¾″ meter.

[59] https://www.cpuc.ca.gov/news-and-updates/newsroom/environmental-and-social-justice-action-plan

7. Promote high road career paths and economic opportunity for residents of ESJ communities.
8. Improve training and staff development related to ESJ issues within the CPUC's jurisdiction.
9. Monitor the CPUC's ESJ efforts to evaluate how they are achieving their objectives.

As set forth in the Scoping Memo in this proceeding, we have carefully examined the issue of whether there will be impacts on the Commission's ESJ Action Plan, including the extent to which increased rate charges may impact the achievement of the nine ESJ goals.

Although the approval of the Application will likely result in an increase of rates for all customers, the Applicant has a Low-Income Customer Assistance Program (LICAP) which it promotes to its customers. If eligible for the LICAP program, eligible low-income customers may see a reduction in their water bill. Additionally, the Applicant promotes water conservation efforts, which will also likely result in savings to customers.

We also note that some of the increases associated with this Application will be used to make system improvements, which will help to ensure that Great Oaks continues to meet federal and state drinking water standards. This will help to ensure that customers will continue to have access to safe drinking water.

Upon careful review of the record of this proceeding, we find that (1) there is evidence that the Application aligns with the goals of the Commission's ESJ Action Plan and will have no adverse impact on ESJ communities; and (2) the Application will promote ESJ Action Plan Goal 3 (Strive to improve access to high-quality water, communications, and transportation services for ESJ communities).

## 5. Motion to Establish Interim Rates and Related Memorandum Account

Pursuant to the Scoping Memo schedule, on January 7, 2022, Great Oaks filed its Interim Rates Motion. The Interim Rates Motion was filed consistent with Public Utilities (Pub. Util.) Code § 455.2(b), and with the Rate Case Plan for Class A Water Utilities (D.07-05-062). In this context, D.07-05-062 states: "This interim rate process only applies during a pending GRC when the applicant, another party, or the Presiding Officer anticipates that the Commission's decision will not be effective on the first day of the first test year in a general rate increase application."[60]

Great Oaks accordingly sought authority through its Interim Rates Motion to: (1) establish interim rates with an effective date of July 1, 2021; and (2) establish an appropriate memorandum account to track the difference between revenues collected under interim rates and the revenues that would have been collected under the final rates authorized in this GRC proceeding. The interim rates were to apply inflation rates, as determined by the most recent escalation factors published by Cal Advocates, as authorized under Pub. Util. Code § 455.2(b) and D.07-05-062. Cal Advocates did not file a response or opposition to Great Oaks' interim rates motion.

By ruling dated April 26, 2022, the assigned ALJ granted Great Oak's Interim Rates Motion to establish interim rates and memorandum account, noting that based on a submission date of March 30, 2022, a final Commission

[60] D.07-05-062, Appendix, at A-15

decision would not likely be issued by July 1, 2022. We affirm the ALJ's ruling and make further provision herein for amortizing the accumulated balance in the memorandum account by December 31, 2023.

## 6. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with § 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on ___________ and reply comments were filed on _____________.

## 7. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Gerald F. Kelly is the assigned ALJ and the presiding officer in this proceeding.

## Findings of Fact

1. Great Oaks, a Class A Water Company, filed A.21-07-001 for authority to increase its retail rates and for other relief as requested.
2. Great Oaks and Cal Advocates, the only parties in this proceeding, entered into a Partial Settlement Agreement that resolved certain disputes in the proceeding and filed a joint motion for its approval and adoption.
3. The Comparison Exhibit in this proceeding presents the final positions of Great Oaks and Cal Advocates as to the proposed revenue requirements for each of the rate periods covered, incorporating the effects of the Partial Settlement Agreement.
4. The two parties to the Partial Settlement Agreement each had the requisite understanding to make informed decisions regarding the issues raised in the proceeding and the settlement of those same issues.

5. The results reached in the Partial Settlement Agreement produce a reasonable compromise between the sponsoring parties in relation to pre-settlement positions.

6. As a basis for approving the Partial Settlement Agreement, material weight is given to the parties' evaluation of record evidence within a give-and-take framework, resulting in tradeoffs that constitute an integrated whole.

7. Great Oaks is compliant with all applicable governmental water quality regulations and Commission GO requirements and meets applicable state and federal drinking water standards and provisions of Commission's GO 103-A.

8. Great Oaks' service quality is in accord with the standard performance measure set by the Commission for complaints filed with the Commission's Consumer Affairs Branch (the standard being less than, or equal to, 0.1% of total utility customers). During that period, no formal complaints were filed with the Consumer Affairs Branch.

9. It is reasonable to adopt a total revenue requirement for Great Oaks in the amounts of $22,255,961 for Test Year 2022/23, $23,796,965 for Escalation Year 2023/24, and $25,456,727 for Attrition Year 2024/25 which incorporates (a) adoption of the Partial Settlement Agreement, and (b) resolution of contested issues in accordance with the findings of this decision.

10. The Summary of Earnings in Attachment A to this decision reflects the elements of Great Oaks' revenue requirements adopted for Test Year 2022/2023, Escalation Year 2023/2024, and Attrition Year 2024/2025, respectively.

11. Based upon the adopted revenue increases and rate design policies authorized for Great Oaks for Test Year 2022/2023, the average residential

customer bill will increase by $1.75 (or 1.53%) over a two-month billing period. Annual increase for the same customer will be $10.47 (or 1.53%).

12. To account for timing differences between the July 1, 2022, effective date for approved rate increases and the actual date of implementation of those rate increases pursuant to this decision, Great Oaks was authorized to establish interim rates, tracked by a memorandum account, by ruling dated April 26, 2022. It is reasonable to authorize Great Oaks to amortize the balance in that memorandum account as a rate adjustment sufficient to produce a zero balance by December 31, 2023.

13. Great Oaks' 2022/2023 water sales forecast is reasonable in reflecting D.20-08-047 customer forecasting data including declining trends in consumption, demographics, and climate population density by ratemaking area.

14. Great Oaks' Account 700 Groundwater Charges forecast is reasonable and justified based on the well water production ratio at 56% for Zone W-2 and 44% for Zone W-7 as a basis for Account 700 forecasts.

15. Cal Advocates' forecast of Account 700 Groundwater Charges, based on analysis of historic water production levels, does not consider declining production from individual Zone W-7 wells nor recognizes that Great Oaks is already pumping as much water as Zone W-7 wells can realistically produce.

16. Great Oaks' forecast for Account 726 Purchased Power Expense is not reasonable in that it is based on uncertainties and is an estimate based on these uncertainties.

17. Cal Advocates' Account 726 Purchased Power Expenses forecast relies on a five-year average of recorded costs and presents a more realistic estimate of purchased power costs during 2022/2023 test year.

18. Cal Advocates averaged five years of Account 773 expenses without recognizing that the last two rate years included a significant new expense for the Credit Card Pilot Program not included in the first three years of data.

19. Great Oaks' Account 773 expense forecast method which includes recognitions of the Credit Card Pilot Program costs is just and reasonable.

20. Because Great Oaks has recorded its costs of the Pilot Program in Account 773 from its inception and does not include the costs of the Pilot Program in Account 798, there is no issue of double-counting.

21. Great Oaks' proposed modification of the language of the Credit Card Pilot Program Memorandum Account offers a reasonable resolution to reflect its true character as a balancing account that tracks the difference between authorized and recorded expenses.

22. Great Oaks' Account 798 Net Payroll Expense forecast is not reasonable and the inclusion of the two previously authorized, but unfilled positions: (1) Customer Service Representative; and (2) Field Services – Water Quality Specialist/Environmental Services is not granted.

23. Great Oaks' forecast of Account 793 Insurance Expense is reasonable based on price quote information from its insurance agent/broker and based on the broker's access to insurance carrier future pricing estimates.

24. Great Oaks' forecast for Account 795 Employee Pensions and Benefits is reasonable with the inclusion of the Injury and Accident Prevention program costs.

25. Testimony from the Certified Corrective Exercise Specialist who designed Great Oaks' Injury and Accident Prevention program, attests that it is specifically intended to prevent on-the-job injuries and improve job performance through corrective exercise techniques.

26. Great Oaks' forecasts of Account 794 expenses are not reasonable.

27. Great Oaks' proposal to calculate and record pension expenses in the Pension Expense Balancing Account, by recording 50% of the previous fiscal year added to 50% of the upcoming fiscal year, will ease Commission review and remove confusion about the alignment of authorized and actual pension plan expenses.

28. Great Oaks' forecast of 798 Outside Service Expense for the proposed Customer Communications Program in not reasonable.

29. Great Oaks' forecast of Account 811 Rent expense for Test Year 2022/2023 is not reasonable.

30. Great Oaks' proposed sharing of non-tariffed products and services (NTP&S) revenues is based upon the methodology adopted in successive settlements Cal Advocates has entered into with Great Oaks since the 2015 general rate case and provided for an equal sharing of all NTP&S revenues.

31. Cal Advocates' proposal for non-tariffed products and services (NTP&S) revenues sharing is based on D.11-10-034 which requires allocation of the first $100,000 of NTP&S revenue solely to customers, and the remainder 70% to customers and 30% to the utility.

32. Great Oaks agreed to accept Cal Advocates' recommended ratepayer credit of ($113,626) for non-tariffed products and services revenues for Test Year

2022/2023, yielding a reasonable result. Therefore, it is not necessary to resolve substantive disputes over this issue.

33. Great Oaks' forecast of routine Account 345 plant-in-service additions is unreasonable and is based on an average of four years rather than five.

34. Cal Advocates' routine Account 345 forecast is based on recorded costs for five years and provides a more realistic accounting of plant-in-service additions and we therefore find Cal Advocates recommendations to be reasonable.

35. Great Oaks' forecast for Account 346 is unreasonable as Great Oaks' proposal intends to replace an average of 470 meters a year without dedicated staff and on an ad hoc basis.

36. Cal Advocates forecast for Account 346 is reasonable and based on an average of prior replacements.

37. Great Oaks' forecast for Account 372 Computers is based on a four-year average of actual historical costs and therefore produces a reasonable result.

38. Cal Advocates' forecast of Account 372 is not based on analysis of actual computer investment needs during the test year but is based on a continuation of the amount previously estimated and adopted in the prior 2018 GRC.

39. As noted in SP U-16-W, the method of determining the working cash allowance varies with the size, nature, and the operation of the utility. For utilities not large enough to justify a detailed study, or when a detailed study would be impractical, a simplified basis may be used.

40. Great Oaks is not a major utility in reference to use of the detailed basis for working cash, has a significantly smaller number of service connections than other Class A water utilities, and a smaller administrative department compared to the other utilities characterized as major in Standard Practice U-16-W.

41. Great Oaks' use of the simplified method as provided for in Water Standard Practice U-16-W in calculating its working cash allowance in rate base, is consistent with the method it has used in its past GRC proceedings.

42. The use of the detailed calculation methodology for Great Oaks' working cash allowance results in a lower revenue requirement based on Cal Advocates' calculations compared to use of the simplified method.

43. The use of the detailed basis to calculate working cash would not yield a cash allowance sufficient to timely pay Great Oaks bills since it reflects simple averaging as if water usage and associated costs are the same throughout the year and does not reflect fluctuations due to the seasonality of water usage.

44. Great Oaks' request is justified to amortize the balances in its two incremental groundwater charge balancing accounts through an appropriate Advice Letter filing.

45. Great Oaks' requests to amortize the balance in its Catastrophic Events Memorandum Account (CEMA) for the 2019 Public Safety Power Shutoff events and then to close that CEMA are justified.

46. Great Oaks' request for authority to establish a new memorandum account to track and recover costs associated with complying with the United States Environmental Protection Agency's Lead and Copper Rule Revisions is justified.

47. Great Oaks has justified its request for an adjustment to the terms and conditions of its Santa Clara Valley Water District Litigation Memorandum Account preliminary statement tariff sheet in accordance with proposed language in Exhibit GOWC-1, Exhibit 3-9.

48. Based upon its forecasted customer numbers for Test Year 2022/2023, Great Oaks' proposed number and sizes of meters are reasonable.

49. The forecasted test year number of Great Oaks' private fire connection customers and services as stipulated by the parties is just and reasonable for this rate case cycle.

50. The parties' stipulation is reasonable regarding the rate design methodology for calculating service charges and the uniform quantity rate, and for tiered conservation rates (with collection of 75% of fixed costs to be recovered through service charges and 25% of fixed costs and 100% of variable costs to be recovered through the quantity charge).

51. Great Oaks' Customer Assistance Program (CAP) Surcharge calculation is reasonable, with the number of participants in the CAP program based upon Great Oaks' most recent compliance filing in R.17-06-024, the low-income rulemaking that requires monthly reporting of participation in CAP programs.

52. The stipulated numbers of Great Oaks and Cal Advocates concerning Private Fire Protection Customers revenues are found reasonable.

53. The Scoping Memo in this proceeding identified the issue of whether there will be impacts on the Commission's Environmental and Social Justice (ESJ) Action Plan, including the extent to which increased rate charges adopted in this proceeding may impact the achievement of the nine ESJ goals.

54. Some of the revenue increases associated with this Application will be used to make system improvements, which will help to ensure that Great Oaks continues to meet federal and state drinking water standards. This will help to ensure that customers will continue to have access to safe drinking water.

55. Upon review of the record, (1) there is evidence that the Application aligns with the goals of the Commission's ESJ Action Plan and will have no adverse impact on ESJ communities; and (2) the Application will promote ESJ Action

Plan Goal 3 (Strive to improve access to high-quality water, communications, and transportation services for ESJ communities).

## Conclusions of Law

1. The Partial Settlement Agreement, set forth in Attachment C of this decision, meets the standards for approval prescribed in Rule 12 of the Rules of Practice and Procedure and should be adopted.

2. The Joint Motion to Adopt the Partial Settlement Agreement should be granted.

3. The Partial Settlement Agreement is reasonable in light of the record and balances utility and ratepayer interests.

4. The Partial Settlement Agreement is consistent with the law and does not contravene or compromise any statutory provisions or prior Commission decisions.

5. The Partial Settlement Agreement (a) commands broad support among participants and (b) does not contain terms which contravene statutory provisions or prior Commission decisions. Accordingly, it meets the Rule 12 public interest criterion.

6. Upon adoption of the Partial Settlement Agreement by this decision, it should be binding on all parties to the proceeding.

7. Pursuant to Rule 12.5, the adoption of the Partial Settlement Agreement by this decision does not bind this Commission or otherwise impose a precedent in this or any future proceeding.

8. Upon adoption of the Partial Settlement Agreement by this decision, the provisions thereof, which are adopted, should be applied for purposes of the

adopted revenue requirements and rate design for Test Year 2022/23 and the related Escalation and Attrition Years.

9. Great Oaks should implement the terms of the Partial Settlement Agreement in conformance with the terms thereof and with the ordering paragraphs herein.

10. The revenue requirements adopted for Great Oaks in this proceeding should be based upon: (a) the forecast amounts mutually agreed to in the Partial Settlement Agreement, as applicable and (b) adopted forecasts in resolution of contested issues in accordance with findings of fact of this decision.

11. The rates and charges adopted in this decision are just and reasonable and should be applied consistent with the rate design and sales forecast provisions of the Partial Settlement Agreement and consistent with the methodologies and data elements in Attachment B.

12. Great Oaks should be authorized to implement retail rate changes pursuant to the ordering paragraphs in this decision and consistent with the findings of fact relating to the adopted revenue requirements and rate design issues.

13. Great Oaks should be authorized to implement provisions relating to balancing accounts and memorandum accounts as mutually agreed to in the Partial Settlement Agreement.

14. Regarding contested issues relating to balancing accounts and memorandum accounts, Great Oaks should comply with the requirements of this decision as prescribed in the ordering paragraphs, either amortizing each balance alone, or in combination with balances in other appropriate memorandum or balancing accounts.

15. April 26, 2022, Ruling granting Great Oak's Interim Rates Motion to establish interim rates and memorandum account should be affirmed.

16. All other rulings issued by the assigned Commissioner and Administrative Law Judge should be affirmed; and, all motions, not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, should be denied.

17. Commission approval of the Partial Settlement Agreement should not be construed as admission or concession by either Great Oaks or Cal Advocates on any issue addressed therein as to any fact or matter of law that was or may have been in dispute in this proceeding.

18. A.21-07-001 should be closed.

**O R D E R**

IT IS ORDERED that:

1. The motion jointly filed on March 30, 2022, by Great Oaks Water Company and the Public Advocates Office at the Commission seeking Commission approval and adoption of a Partial Settlement Agreement (attached to this decision as Attachment C) is granted, and the Partial Settlement Agreement is approved and adopted.

2. Great Oaks Water Company is hereby authorized general rate case revenue requirements for: $22,255,961 for Test Year 2022/23, $23,796,965 for Escalation Year 2023/24, and $25,456,727 for Attrition Year 2024/25, consistent with findings of this decision as tabulated in the Summary of Earnings in Attachment A hereto.

3. Great Oaks Water Company shall file a Tier 1 Advice Letter no later than 30 days from the effective date of this order to implement necessary retail rate

changes to collect the adopted 2022/2023 test year base revenue requirement in accordance with the directives of this decision and Commission General Order 96-B. Tariff sheets to implement these rate changes shall be attached to the Advice Letter with an effective date of July 1, 2022.

4. Great Oaks Water Company shall implement subsequent retail rate changes approved in this decision for Escalation Year 2023/2024 and Attrition Year 2024/2025 through Tier 1 Advice Letters, filed on a timely basis to provide for an effective date of July 1, 2023, and July l, 2024, respectively.

5. Great Oaks Water Company shall implement the Partial Settlement Agreement (attached to this decision as Attachment C) provisions agreed to therein consistent with the ordering paragraphs of this decision.

6. The revenue, expense, and rate base elements mutually agreed to in the Partial Settlement Agreement (attached to this decision as Attachment C) are hereby incorporated into the Great Oaks Water Company adopted revenue requirements, respectively for the 2022/2023 Test Year, 2023/2024 Escalation Year, and 2024/2025 Attrition Year, consistent with the Summary of Earnings in Attachment A hereto.

7. The forecast elements approved in this decision for contested issues are hereby incorporated into adopted Great Oaks Water Company revenue requirements, respectively for the 2022/2023 Test Year, the 2023/2024 Escalation Year, and the 2024/2025 Attrition Year consistent with the Summary of Earnings in Attachment A hereto.

8. Great Oaks Water Company is authorized to collect the adopted revenue requirements in this proceeding in accordance with the rate design methodology set forth in the Partial Settlement Agreement (attached to this decision as

Attachment C) and consistent with the methodologies and data elements set forth in Attachment B hereto.

9. The rate design approved for Great Oaks Water Company shall require collection of 75% of fixed costs through service charges and all remaining costs (25% of fixed costs and 100% of variable costs) to be recovered through the quantity charge.

10. Great Oaks Water Company's proposed calculation of the Customer Assistance Program Surcharge is approved and adopted as set forth in Attachment B, Table 4.

11. The stipulated numbers of Great Oaks Water Company and the Public Advocates Office at the Commission relating to Great Oaks Water Company's Private Fire Protection Customers revenues are adopted.

12. Great Oaks Water Company is authorized to file a Tier 3 Advice Letter to amortize the balance in its 2021 GRC Interim Rates Memorandum Account, as established by ruling of April 26, 2022. The amortization rate shall be set at a level sufficient to draw down the balance in the Memorandum Account to zero by December 31, 2023.

13. Great Oaks Water Company is granted authority to implement the provisions regarding creation, modification, and/or amortization of balancing accounts and memorandum accounts as agreed to in the Partial Settlement Agreement (attached to this decision as Attachment C).

14. Great Oaks Water Company is authorized to consolidate implementation of all balancing account balance amortization authorizations granted in this decision through a single Tier 2 Advice Letter filing, as practical. Additionally, Great Oaks Water Company is authorized to consolidate implementation of all

memorandum account balance amortization authorizations granted in this decision through a single Tier 3 Advice Letter filing, as practical. Further, Great Oaks Water Company is authorized to consolidate implementation of the establishment of new memorandum accounts and textual revisions of existing balancing and memorandum accounts through a single Tier 1 Advice Letter filing, as practical.

15. Great Oaks Water Company is granted authority to file a Tier 1 Advice Letter to modify its Pension Expense Balancing Account, as requested, in accordance with the provisions set forth in Exhibit GOWC-1 Exhibit 5-2.

16. Great Oaks Water Company is authorized to file a Tier 2 Advice Letter to amortize the balances in its two incremental groundwater charge balancing accounts.

17. Great Oaks Water Company is authorized to file a Tier 3 Advice Letter to amortize the balance in its Catastrophic Events Memorandum Account (CEMA) for the 2019 Public Safety Power Shutoff events and then close that CEMA.

18. Great Oaks Water Company is authorized to file a Tier 1 Advice Letter to establish a General Order 156 Supplier Diversity Program Memorandum Account.

19. Great Oaks Water Company is authorized to file a Tier 1 Advice Letter to establish a new memorandum account to track and recover costs associated with complying with the United States Environmental Protection Agency's Lead and Copper Rule Revisions.

20. Great Oaks Water Company is authorized to file a Tier 1 Advice Letter to implement changes in its Santa Clara Valley Water District Litigation

Memorandum Account reflecting the modifications set forth in Exhibit GOWC-1, Exhibit 3-9.

21. Great Oaks Water Company is authorized to file a Tier 1 Advice Letter to implement changes in its Credit Card Pilot Program Memorandum Account reflecting the modifications set forth in GOWC-1 Exhibit 5-5.

22. Great Oaks Water Company is authorized to file a Tier 1 Advice Letter to modify its Customer Assistance Program Surcharge Balancing Account to change the names of the program and the balancing account in compliance with Decision 20-08-047.

23. All rulings issued by the assigned Commissioner and Administrative Law Judge (ALJ) are affirmed; and, all motions, not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, are denied.

24. Application 21-07-001 is closed.

This order is effective today.

Dated _____________, at San Francisco, California.